

State of Arizona
Senate
Forty-eighth Legislature
Second Regular Session
2008

SENATE BILL 1160

AN ACT

AMENDING SECTION 41-1276, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 10, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-1510.02; AMENDING SECTIONS 42-6103, 42-12001 AND 42-12006, ARIZONA REVISED STATUTES; AMENDING TITLE 42, CHAPTER 12, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-12056; AMENDING SECTIONS 42-15006 AND 43-206, ARIZONA REVISED STATUTES; REPEALING SECTION 43-222, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 2, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING A NEW SECTION 43-222; AMENDING SECTIONS 43-1074, 43-1074.01, 43-1077 AND 43-1079, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1083.01; AMENDING SECTION 43-1161, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 11, ARTICLE, 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1164.01; AMENDING SECTIONS 43-1165, 43-1167 AND 43-1168, ARIZONA REVISED STATUTES; REPEALING LAWS 2006, CHAPTER 351, SECTION 14; RELATING TO GENERAL REVENUES BUDGET RECONCILIATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 41-1276, Arizona Revised Statutes, is amended to
3 read:

4 41-1276. Truth in taxation levy for equalization assistance to
5 school districts

6 A. On or before February 15 of each year, the joint legislative budget
7 committee shall compute and transmit the truth in taxation rates for
8 equalization assistance for school districts for the following fiscal year
9 to:

10 1. The chairmen of the house of representatives ways and means
11 committee and the senate finance committee or their successor committees.

12 2. The chairmen of the appropriations committees of the senate and the
13 house of representatives or their successor committees.

14 B. The truth in taxation rates consist of the qualifying tax rate for
15 a high school district or a common school district within a high school
16 district that does not offer instruction in high school subjects pursuant to
17 section 15-971, subsection B, paragraph 1, a qualifying tax rate for a
18 unified district, a common school district not within a high school district
19 or a common school district within a high school district that offers
20 instruction in high school subjects pursuant to section 15-971, subsection B,
21 paragraph 2 and a state equalization assistance property tax rate pursuant to
22 section 15-994 that will offset the change in net assessed valuation of
23 property that was subject to tax in the prior year.

24 C. The joint legislative budget committee shall compute the truth in
25 taxation rates as follows:

26 1. Determine the statewide primary net assessed value for the
27 preceding tax year as provided in section 42-17151, subsection A,
28 paragraph 3.

29 2. Determine the statewide primary net assessed value for the current
30 tax year, excluding the net assessed value of property that was not subject
31 to tax in the preceding year.

32 3. Divide the amount determined in paragraph 1 of this subsection by
33 the amount determined in paragraph 2 of this subsection.

34 4. Adjust the qualifying tax rates and the state equalization
35 assistance property tax rate for the current fiscal year by the percentage
36 determined in paragraph 3 of this subsection in order to offset the change in
37 net assessed value.

38 D. Except as provided in subsections E and G of this section, the
39 qualifying tax rate for a high school district or a common school district
40 within a high school district that does not offer instruction in high school
41 subjects, the qualifying tax rate for a unified school district, a common
42 school district not within a high school district or a common school district
43 within a high school district that offers instruction in high school subjects
44 and the state equalization assistance property tax rate for the following
45 fiscal year shall be the rate determined by the joint legislative budget

1 committee pursuant to subsection C of this section. The committee shall
2 transmit the rates to the superintendent of public instruction and the county
3 boards of supervisors by March 15 each year.

4 E. If the legislature proposes either qualifying tax rates or a state
5 equalization assistance property tax rate that exceeds the truth in taxation
6 rate:

7 1. The house of representatives ways and means committee and the
8 senate finance committee or their successor committees shall hold a joint
9 hearing on or before February 28 and publish a notice of a truth in taxation
10 hearing that meets the following requirements:

11 (a) The notice shall be published twice in a newspaper of general
12 circulation in this state that is published at the state capital. The first
13 publication shall be at least fourteen but not more than twenty days before
14 the date of the hearing. The second publication shall be at least seven but
15 not more than ten days before the date of the hearing.

16 (b) The notice shall be published in a location other than the
17 classified or legal advertising section of the newspaper.

18 (c) The notice shall be at least one-fourth page in size and shall be
19 surrounded by a solid black border at least one-eighth inch in width.

20 (d) The notice shall be in the following form, with the "truth in
21 taxation hearing - notice of tax increase" headline in at least eighteen
22 point type:

23 Truth in Taxation Hearing
24 Notice of Tax Increase

25 In compliance with section 41-1276, Arizona Revised
26 Statutes, the state legislature is notifying property taxpayers
27 in Arizona of the legislature's intention to raise the property
28 tax levy over last year's level.

29 The proposed tax increase will cause the taxes on a
30 \$100,000 home to increase by \$_____.

31 All interested citizens are invited to attend a public
32 hearing on the tax increase that is scheduled to be held
33 _____ (date and time) at _____ (location).

34 (e) For purposes of computing the tax increase on a one hundred
35 thousand dollar home as required by the notice, the joint meeting of the
36 house of representatives ways and means committee and the senate finance
37 committee or their successor committees shall consider the difference between
38 the truth in taxation rate and the proposed increased rate.

39 2. The joint meeting of the house of representatives ways and means
40 committee and the senate finance committee or their successor committees
41 shall consider any motion to recommend the proposed tax rates to the full
42 legislature by roll call vote.

1 F. In addition to publishing the truth in taxation notice under
2 subsection E, paragraph 1 of this section, the joint meeting of the house of
3 representatives ways and means committee and the senate finance committee or
4 their successor committees shall issue a press release containing the truth
5 in taxation notice.

6 G. Notwithstanding any other law, the legislature shall not adopt a
7 state budget that provides for either qualifying tax rates pursuant to
8 section 15-971 or a state equalization assistance property tax rate pursuant
9 to section 15-994 that exceeds the truth in taxation rates computed pursuant
10 to subsection A of this section unless the rates are adopted by a concurrent
11 resolution approved by an affirmative roll call vote of two-thirds of the
12 members of each house of the legislature before the legislature enacts the
13 general appropriations bill. If the resolution is not approved by two-thirds
14 of the members of each house of the legislature, the rates for the following
15 fiscal year shall be the truth in taxation rates determined pursuant to
16 subsection C of this section and shall be transmitted to the superintendent
17 of public instruction and the county boards of supervisors.

18 H. Notwithstanding subsection C of this section and if approved by the
19 qualified electors voting at a statewide general election, the legislature
20 shall not set a qualifying tax rate that exceeds \$2.1265 for a common or high
21 school district or \$4.253 for a unified school district. The legislature
22 shall not set a county equalization assistance for education rate that
23 exceeds \$0.5123.

24 I. Pursuant to subsection C of this section, the qualifying tax rate
25 in tax year 2007 for a high school district or a common school district
26 within a high school district that does not offer instruction in high school
27 subjects as provided in section 15-447 is \$1.6020 and for a unified school
28 district, a common school district not within a high school district or a
29 common school district within a high school district that offers instruction
30 in high school subjects as provided in section 15-447 is \$3.2040. The state
31 equalization assistance property tax rate in tax years 2006, 2007, ~~and~~ 2008,
32 2009, 2010 AND 2011 is zero. The state equalization assistance property tax
33 rate in tax year ~~2009~~ 2012 shall be computed by annually adjusting the tax
34 year 2005 rate of \$0.4358 as provided by this section through tax year ~~2009~~
35 2012.

36 Sec. 2. Title 41, chapter 10, article 1, Arizona Revised Statutes, is
37 amended by adding section 41-1510.02, to read:

38 41-1510.02. Solar energy technologies tax incentives;
39 qualification

40 A. TAX INCENTIVES ARE ALLOWED FOR EXPANDING OR LOCATING QUALIFIED
41 SOLAR ENERGY TECHNOLOGIES OPERATIONS IN THIS STATE.

42 B. TO BE ELIGIBLE FOR THE TAX INCENTIVES, A SOLAR ENERGY TECHNOLOGIES
43 BUSINESS MUST APPLY TO THE DEPARTMENT OF COMMERCE, ON A FORM PRESCRIBED BY
44 THE DEPARTMENT, FOR CERTIFICATION OF THE BUSINESS AS QUALIFYING FOR THE
45 INCENTIVES. THE APPLICATION MUST INCLUDE:

1 1. THE APPLICANT'S NAME, ADDRESS, TELEPHONE NUMBER AND FEDERAL
2 TAXPAYER AND EMPLOYER IDENTIFICATION NUMBER OR NUMBERS.

3 2. THE NAME, ADDRESS, TELEPHONE NUMBER AND E-MAIL ADDRESS OF A CONTACT
4 PERSON FOR THE APPLICANT.

5 3. THE ADDRESS OF THE SITE WHERE THE QUALIFIED BUSINESS OPERATIONS
6 WILL BE LOCATED.

7 4. A DESCRIPTION OF THE BUSINESS.

8 5. OTHER DETAILS AS PRESCRIBED BY THE DEPARTMENT, TO DETERMINE WHETHER
9 THE BUSINESS QUALIFIES FOR THE TAX INCENTIVES AS PRESCRIBED BY THIS SECTION.

10 C. THE BUSINESS MUST MAKE A NEW INVESTMENT IN THIS STATE IN SOLAR
11 ENERGY TECHNOLOGIES MANUFACTURING, OR IN REGIONAL, NATIONAL OR GLOBAL SOLAR
12 ENERGY TECHNOLOGIES BUSINESS HEADQUARTERS AS FOLLOWS:

13 1. TO QUALIFY FOR INCOME TAX CREDITS PURSUANT TO SECTION 43-1083.01 OR
14 43-1164.01, THE BUSINESS MUST MEET THE FOLLOWING REQUIREMENTS, AS APPLICABLE:

15 (a) THE INVESTMENT MUST PRODUCE NEW FULL-TIME EMPLOYMENT POSITIONS
16 WITH AN AVERAGE WAGE THAT EQUALS OR EXCEEDS ONE HUNDRED FIFTY PER CENT OF THE
17 MEDIAN ANNUAL WAGE IN THIS STATE, AS DETERMINED BY THE DEPARTMENT OF ECONOMIC
18 SECURITY'S OCCUPATIONAL EMPLOYMENT AND ANNUAL WAGE ESTIMATES.

19 (b) THE NEW EMPLOYMENT POSITIONS MUST INCLUDE HEALTH INSURANCE
20 COVERAGE FOR THE FULL-TIME EMPLOYEES FOR WHICH THE EMPLOYER PAYS AT LEAST
21 EIGHTY PER CENT OF THE PREMIUM OR MEMBERSHIP COST, OR AN EQUIVALENT
22 PERCENTAGE OF THE COST FOR ALTERNATIVE HEALTH BENEFIT MODELS.

23 (c) A QUALIFYING INVESTMENT IN OPERATIONS MUST REPRESENT EITHER AN
24 EXPANSION OF AN EXISTING OPERATION IN THIS STATE OR THE ESTABLISHMENT OF A
25 NEW OPERATION IN THIS STATE. A RELOCATION OF AN EXISTING OPERATION FROM ONE
26 LOCATION IN THIS STATE TO ANOTHER LOCATION WITHOUT A QUALIFYING EXPANSION
27 DOES NOT QUALIFY UNDER THIS SECTION FOR THE TAX INCENTIVES.

28 (d) FOR THE PURPOSES OF THIS SECTION AND SECTIONS 43-1083.01 AND
29 43-1164.01, AN INVESTMENT IN MANUFACTURING MAY INCLUDE RESEARCH AND
30 DEVELOPMENT FACILITIES, DEMONSTRATION FACILITIES AND HEADQUARTERS FACILITIES.

31 2. THE QUALIFYING PROPERTY SHALL BE CLASSIFIED AS CLASS SIX FOR THE
32 PURPOSES OF PROPERTY TAXATION PURSUANT TO SECTION 42-12006, PARAGRAPH 9 IF
33 THE NEW MANUFACTURING INVESTMENT AMOUNTS TO AT LEAST TWENTY-FIVE MILLION
34 DOLLARS IN LAND, NEW BUILDINGS AND OTHER FIXED CAPITAL ASSETS AND EQUIPMENT.
35 IF THE NEW FULL-TIME EMPLOYMENT POSITIONS PAY AN AVERAGE WAGE THAT EQUALS:

36 (a) AT LEAST ONE HUNDRED FIFTY, BUT LESS THAN TWO HUNDRED, PER CENT OF
37 THE MEDIAN ANNUAL WAGE IN THIS STATE, AS DETERMINED BY THE DEPARTMENT OF
38 ECONOMIC SECURITY'S OCCUPATIONAL EMPLOYMENT AND ANNUAL WAGE ESTIMATES, THE
39 PROPERTY MAY BE CLASSIFIED AS CLASS SIX FOR TEN TAX YEARS.

40 (b) AT LEAST TWO HUNDRED PER CENT OF THE MEDIAN ANNUAL WAGE IN THIS
41 STATE, AS DETERMINED BY THE DEPARTMENT OF ECONOMIC SECURITY'S OCCUPATIONAL
42 EMPLOYMENT AND ANNUAL WAGE ESTIMATES, THE PROPERTY MAY BE CLASSIFIED AS CLASS
43 SIX FOR FIFTEEN TAX YEARS.

44 D. A BUSINESS MAY SEPARATELY APPLY AND QUALIFY FOR CERTIFICATION AND
45 TAX INCENTIVES WITH RESPECT TO EACH SEPARATE PHASE OF AN EXPANSION OF

1 BUSINESS OPERATIONS AS SET OUT IN THE MEMORANDUM OF UNDERSTANDING UNDER
2 SUBSECTION G OF THIS SECTION.

3 E. ELIGIBILITY FOR THE TAX INCENTIVES ARE SUBJECT TO ANY ADDITIONAL
4 REQUIREMENTS PRESCRIBED BY SECTIONS 42-12006, 43-1083.01 AND 43-1164.01, AS
5 APPLICABLE.

6 F. WITHIN SIXTY DAYS AFTER RECEIVING A COMPLETE AND CORRECT
7 APPLICATION UNDER SUBSECTION B OF THIS SECTION, THE DEPARTMENT OF COMMERCE
8 SHALL REVIEW THE APPLICATION AND EITHER CERTIFY THE APPLICANT AS QUALIFYING
9 FOR THE PURPOSES OF THE TAX INCENTIVES OR PROVIDE REASONS FOR ITS DENIAL. A
10 FAILURE TO APPROVE OR DENY THE CERTIFICATION WITHIN SIXTY DAYS CONSTITUTES
11 APPROVAL OF THE CERTIFICATION. THE DEPARTMENT OF COMMERCE SHALL SEND COPIES
12 OF THE CERTIFICATION TO THE DEPARTMENT OF REVENUE AND ANY APPLICABLE COUNTY
13 ASSESSOR. WITHIN THIRTY DAYS, THE DEPARTMENT OF REVENUE AND COUNTY ASSESSOR
14 SHALL REVIEW THE CERTIFICATION TO DETERMINE WHETHER THE APPLICANT IS
15 CURRENTLY IN GOOD STANDING AND IS NOT DELINQUENT IN THE PAYMENT OF ANY TAX.

16 G. A QUALIFYING APPLICANT UNDER THIS SECTION MUST ENTER INTO A
17 MEMORANDUM OF UNDERSTANDING WITH THE DEPARTMENT OF COMMERCE IN WHICH THE
18 APPLICANT:

19 1. COMMITS TO CONTINUE IN BUSINESS AT THE QUALIFYING LOCATION FOR TEN
20 FULL CALENDAR YEARS AFTER FIRST QUALIFYING FOR A TAX INCENTIVE, OTHER THAN
21 FOR REASONS BEYOND THE CONTROL OF THE BUSINESS.

22 2. SETS OUT A SCHEDULE OF DISCRETE EXPANSION, INVESTMENT AND HIRING
23 PHASES OVER THE DURATION OF THE TAX INCENTIVES CERTIFIED PURSUANT TO THIS
24 SECTION.

25 3. AGREES TO FURNISH TO THE DEPARTMENT INFORMATION RELATING TO THE
26 AMOUNT OF TAX BENEFITS RECEIVED EACH YEAR.

27 4. AUTHORIZES THE DEPARTMENT OF COMMERCE AS BEING ELIGIBLE TO RECEIVE
28 TAX INFORMATION FROM THE DEPARTMENT OF REVENUE PURSUANT TO SECTION 42-2003
29 FOR THE PURPOSE OF DETERMINING ANY INCONSISTENCY IN INFORMATION FURNISHED TO
30 THE DEPARTMENT OF COMMERCE AND THE DEPARTMENT OF REVENUE.

31 5. AGREES TO THE DISCLOSURE BY THE DEPARTMENT OF COMMERCE OF THE
32 AMOUNT OF TAX BENEFITS RECEIVED EACH YEAR IN COMPOSITE FORM, WITHOUT SPECIFIC
33 IDENTIFICATION OF ANY TAXPAYER.

34 6. AGREES TO SUBMIT ANNUAL REPORTS TO THE DEPARTMENT OF COMMERCE AS
35 REQUIRED BY SUBSECTION I OF THIS SECTION AND TO ALLOW INSPECTIONS AND AUDITS
36 TO VERIFY THE APPLICANT'S CONTINUING QUALIFICATION AND THE ACCURACY OF
37 INFORMATION SUBMITTED TO THE DEPARTMENT.

38 7. CONSENTS TO THE ADJUSTMENT OR RECAPTURE OF ALL OR PART OF ANY
39 INCOME TAX CREDIT OR REDUCTION PROVIDED TO THE BUSINESS ON NONCOMPLIANCE WITH
40 THE LAW OR NONCOMPLIANCE WITH THE TERMS OF THE MEMORANDUM.

41 H. QUALIFICATION AND CERTIFICATION OF A BUSINESS FOR THE PURPOSES OF
42 INCOME TAX CREDITS UNDER THIS SECTION DO NOT CONSTITUTE OR IMPLY COMPLIANCE
43 WITH ANY OTHER PROVISION OF LAW OR ANY REGULATORY RULE, ORDER, PROCEDURE,
44 PERMIT OR OTHER MEASURE REQUIRED BY LAW. TO MAINTAIN QUALIFICATION FOR

1 INCOME TAX CREDITS UNDER THIS SECTION, A BUSINESS MUST SEPARATELY COMPLY WITH
2 ALL ENVIRONMENTAL, EMPLOYMENT AND OTHER REGULATORY MEASURES.

3 I. ON OR BEFORE MARCH 1 OF EACH YEAR, THE QUALIFYING BUSINESS MUST
4 MAKE A REPORT TO THE DEPARTMENT OF COMMERCE ON BUSINESS ACTIVITY AT THE
5 QUALIFYING SITES, INCLUDING EMPLOYMENT INFORMATION NECESSARY TO CONFIRM
6 CONTINUING QUALIFICATION. BUSINESS INFORMATION CONTAINED IN THE REPORT IS
7 CONFIDENTIAL AND SHALL NOT BE DISCLOSED TO THE PUBLIC, EXCEPT AS REQUIRED BY
8 THIS SECTION AND EXCEPT THAT A COPY OF THE REPORT SHALL BE TRANSMITTED TO THE
9 DEPARTMENT OF REVENUE. THE REPORT SHALL BE IN A FORM PRESCRIBED BY THE
10 DEPARTMENT OF COMMERCE.

11 J. FOR THE PURPOSES OF ADMINISTERING AND ENSURING COMPLIANCE WITH THE
12 REQUIREMENTS OF THIS SECTION, AGENTS OF THE DEPARTMENT MAY ENTER, AND A
13 QUALIFIED BUSINESS SHALL ALLOW ACCESS TO, A QUALIFYING BUSINESS SITE AT
14 REASONABLE TIMES AND ON REASONABLE NOTICE TO:

- 15 1. INSPECT THE FACILITIES AT THE SITE.
- 16 2. OBTAIN FACTUAL DATA AND RECORDS PERTINENT TO AND REQUIRED BY LAW TO
17 BE KEPT FOR THE PURPOSES OF THE TAX INCENTIVES.
- 18 3. OTHERWISE ASCERTAIN COMPLIANCE WITH THE LAW AND THE TERMS OF THE
19 MEMORANDUM OF UNDERSTANDING.

20 K. THE DEPARTMENT OF COMMERCE MAY REVOKE THE BUSINESS' CERTIFICATION
21 IF:

22 1. THE BUSINESS NO LONGER MEETS THE TERMS AND CONDITIONS REQUIRED FOR
23 QUALIFYING FOR THE TAX INCENTIVES. THE DEPARTMENT MAY GIVE SPECIAL
24 CONSIDERATION, OR ALLOW TEMPORARY EXEMPTION FROM RECAPTURE OF TAX BENEFITS,
25 IN THE CASE OF EXTRAORDINARY HARDSHIP DUE TO FACTORS BEYOND THE CONTROL OF
26 THE QUALIFYING BUSINESS.

27 2. WITHIN THIRTY DAYS AFTER A FORMAL REQUEST FROM THE DEPARTMENT OF
28 COMMERCE OR THE DEPARTMENT OF REVENUE THE BUSINESS FAILS OR REFUSES TO
29 PROVIDE THE INFORMATION OR ACCESS FOR INSPECTIONS REQUIRED BY THIS SECTION.

30 L. IF THE DEPARTMENT OF COMMERCE REVOKES THE BUSINESS' CERTIFICATION
31 UNDER SUBSECTION K OF THIS SECTION, IT SHALL NOTIFY THE DEPARTMENT OF REVENUE
32 AND THE COUNTY ASSESSOR OF THE ACTION AND THE CONDITIONS OF NONCOMPLIANCE.
33 THE DEPARTMENT OF REVENUE MAY ALSO TERMINATE THE CERTIFICATION IF IT OBTAINS
34 INFORMATION INDICATING A FAILURE TO QUALIFY AND COMPLY. THE DEPARTMENT OF
35 REVENUE MAY REQUIRE THE BUSINESS TO FILE APPROPRIATE AMENDED TAX RETURNS
36 REFLECTING ANY RECAPTURE OF INCOME TAX CREDITS UNDER SECTION 43-1083.01 OR
37 43-1164.01.

38 M. FOR TEN YEARS AFTER A BUSINESS FIRST QUALIFIES FOR TAX INCENTIVES
39 UNDER THIS SECTION, IN ANY ACTION INVOLVING THE LIQUIDATION OF THE BUSINESS
40 ASSETS DUE TO FRAUD OR RELOCATION OUT OF STATE THIS STATE CLAIMS THE POSITION
41 OF A SECURED CREDITOR OF THE BUSINESS IN THE AMOUNT OF INCOME TAX CREDITS THE
42 BUSINESS RECEIVED PURSUANT TO SECTION 43-1083.01 OR 43-1164.01.

43 N. THE DEPARTMENT OF COMMERCE AND THE DEPARTMENT OF REVENUE SHALL
44 COLLABORATE IN ADOPTING RULES THAT ARE NECESSARY TO ACCOMPLISH THE INTENT AND
45 PURPOSES OF THIS SECTION.

1 0. FOR THE PURPOSES OF THIS SECTION:

2 1. QUALIFYING EMPLOYMENT POSITIONS MUST:

3 (a) BE AT LEAST ONE THOUSAND SEVEN HUNDRED FIFTY HOURS PER YEAR OF
4 FULL-TIME AND PERMANENT EMPLOYMENT.

5 (b) EXIST FOR AT LEAST NINETY DAYS IN THE FIRST TAXABLE YEAR IN WHICH
6 THE BUSINESS QUALIFIES FOR THE INCOME TAX CREDITS. A NEW EMPLOYMENT POSITION
7 CREATED AND FILLED DURING THE LAST NINETY DAYS OF THE YEAR IS CONSIDERED TO
8 BE A NEW EMPLOYMENT POSITION IN THE NEXT YEAR.

9 2. SOLAR ENERGY TECHNOLOGIES ARE LIMITED TO SYSTEMS AND COMPONENTS
10 THAT ARE USED OR USEFUL FOR THE MANUFACTURING OF SOLAR ENERGY DEVICES, AS
11 DEFINED IN SECTION 44-1761, OR FOR THE GENERATION, STORAGE, TESTING AND
12 RESEARCH AND DEVELOPMENT, TRANSMISSION OR DISTRIBUTION OF ELECTRICITY FROM
13 SOLAR RENEWABLE RESOURCES, INCLUDING PHOTOVOLTAIC AND CONCENTRATED SOLAR
14 POWER AND SOLAR THERMAL PROCESS USED IN GENERATING ELECTRICITY.

15 Sec. 3. Section 42-6103, Arizona Revised Statutes, is amended to read:

16 42-6103. County general excise tax; authority to levy; rate;
17 distribution; use of proceeds

18 A. A county having a population of less than one million five hundred
19 thousand persons, according to the most recent United States decennial
20 census, on a unanimous vote of the board of supervisors, OR IF THE BOARD OF
21 SUPERVISORS ON A MAJORITY VOTE SUBMITS A PROPOSED COUNTY GENERAL EXCISE TAX
22 FOR APPROVAL AT A COUNTYWIDE GENERAL ELECTION AND A MAJORITY OF THE QUALIFIED
23 ELECTORS VOTING ON THE PROPOSITION APPROVES THE TAX, THE BOARD OF SUPERVISORS
24 may levy and, if levied, the department shall collect a county general excise
25 tax on each person engaging or continuing in the county in a business taxed
26 under chapter 5, article 1 of this title and section 42-5352, subsection A.

27 B. The excise tax levied pursuant to subsection A of this section
28 shall be at a rate applied as a percentage of the rates prescribed by section
29 42-5010, subsection A on each class of business subject to the tax imposed by
30 chapter 5, article 1 of this title and section 42-5352, subsection A, not to
31 exceed ~~ten~~ TWENTY per cent.

32 C. At the end of each month the state treasurer shall transmit the net
33 revenues collected pursuant to this section to the treasurer of the county
34 levying the tax. The county shall use these revenues to support and enhance
35 countywide services.

36 Sec. 4. Section 42-12001, Arizona Revised Statutes, is amended to
37 read:

38 42-12001. Class one property

39 For purposes of taxation, class one is established consisting of the
40 following subclasses:

41 1. Producing mines and mining claims, personal property used on mines
42 and mining claims, improvements to mines and mining claims and mills and
43 smelters operated in conjunction with mines and mining claims that are valued
44 at full cash value pursuant to section 42-14053.

45 2. Standing timber that is valued at full cash value.

1 3. Real and personal property of gas distribution companies, electric
2 transmission companies, electric distribution companies, combination gas and
3 electric transmission and distribution companies, companies engaged in the
4 generation of electricity and electric cooperatives that are valued at full
5 cash value pursuant to section 42-14151.

6 4. Real and personal property of airport fuel delivery companies that
7 are valued pursuant to section 42-14503.

8 5. Real and personal property that is used by producing oil, gas and
9 geothermal resource interests that are valued at full cash value pursuant to
10 section 42-14102.

11 6. Real and personal property of water, sewer and wastewater utility
12 companies that are valued at full cash value pursuant to section 42-14151.

13 7. Real and personal property of pipeline companies that are valued at
14 full cash value pursuant to section 42-14201.

15 8. Real and personal property of shopping centers that are valued at
16 full cash value or pursuant to chapter 13, article 5 of this title, as
17 applicable.

18 9. Real and personal property of golf courses that are valued at full
19 cash value or pursuant to chapter 13, article 4 of this title.

20 10. All property, both real and personal, of manufacturers, assemblers
21 or fabricators, **OTHER THAN PROPERTY THAT IS SPECIFICALLY INCLUDED IN ANOTHER**
22 **CLASS DESCRIBED IN THIS ARTICLE, THAT ARE** valued under the provisions of this
23 title.

24 11. Real and personal property that is used in communications
25 transmission facilities and that provides public telephone or
26 telecommunications exchange or interexchange access for compensation to
27 effect two-way communication to, from, through or within this state.

28 12. Real property and improvements that are devoted to any other
29 commercial or industrial use, other than property that is specifically
30 included in another class described in this article, and that are valued at
31 full cash value.

32 13. Personal property that is devoted to any other commercial or
33 industrial use, other than property that is specifically included in another
34 class described in this article, and that is valued at full cash value.

35 Sec. 5. Section 42-12006, Arizona Revised Statutes, is amended to
36 read:

37 42-12006. Class six property

38 For purposes of taxation, class six is established consisting of:

39 1. Noncommercial historic property as defined in section 42-12101 and
40 valued at full cash value.

41 2. Real and personal property that is located within the area of a
42 foreign trade zone or subzone established under 19 United States Code section
43 81 and title 44, chapter 18, that is activated for foreign trade zone use by
44 the district director of the United States customs service pursuant to
45 19 Code of Federal Regulations section 146.6 and that is valued at full cash

1 value. Property that is classified under this paragraph shall not thereafter
2 be classified under paragraph 7 of this section.

3 3. Real and personal property and improvements that are located in a
4 military reuse zone that is established under title 41, chapter 10, article 3
5 and that is devoted to providing aviation or aerospace services or to
6 manufacturing, assembling or fabricating aviation or aerospace products,
7 valued at full cash value and subject to the following terms and conditions:

8 (a) Property may not be classified under this paragraph for more than
9 five tax years.

10 (b) Any new addition or improvement to property already classified
11 under this paragraph qualifies separately for classification under this
12 paragraph for not more than five tax years.

13 (c) If a military reuse zone is terminated, the property in that zone
14 that was previously classified under this paragraph shall be reclassified as
15 prescribed by this article.

16 (d) Property that is classified under this paragraph shall not
17 thereafter be classified under paragraph 4, ~~or 7~~ OR 9 of this section.

18 4. Real and personal property and improvements that are located in an
19 enterprise zone, that are owned or used by a small manufacturing or small
20 commercial ~~printer~~ PRINTING business that is certified by the department of
21 commerce pursuant to section 41-1525.01 and that are valued at full cash
22 value, subject to the following terms and conditions:

23 (a) Property may not be classified under this paragraph for more than
24 five tax years.

25 (b) Property that is classified under this paragraph shall not
26 thereafter be classified under paragraph 3, ~~or 7~~ OR 9 of this section.

27 5. Real and personal property and improvements or a portion of such
28 property comprising a qualified environmental technology manufacturing,
29 producing or processing facility as described in section 41-1514.02, valued
30 at full cash value and subject to the following terms and conditions:

31 (a) Property shall be classified under this paragraph for twenty tax
32 years from the date placed in service.

33 (b) Any addition or improvement to property already classified under
34 this paragraph qualifies separately for classification under this subdivision
35 for an additional twenty tax years from the date placed in service.

36 (c) After revocation of certification under section 41-1514.02,
37 property that was previously classified under this paragraph shall be
38 reclassified as prescribed by this article.

39 (d) Property that is classified under this paragraph shall not
40 thereafter be classified under paragraph 7 of this section.

41 6. That portion of real and personal property that is used on or after
42 January 1, 1999 specifically and solely for remediation of the environment by
43 an action that has been determined to be reasonable and necessary to respond
44 to the release or threatened release of a hazardous substance by the
45 department of environmental quality pursuant to section 49-282.06 or pursuant

1 to its corrective action authority under rules adopted pursuant to section
2 49-922, subsection B, paragraph 4 or by the United States environmental
3 protection agency pursuant to the national contingency plan (40 Code of
4 Federal Regulations part 300) and that is valued at full cash value.
5 Property that is not being used specifically and solely for the remediation
6 objectives described in this paragraph shall not be classified under this
7 paragraph. For the purposes of this paragraph, "remediation of the
8 environment" means one or more of the following actions:

9 (a) Monitoring, assessing or evaluating the release or threatened
10 release.

11 (b) Excavating, removing, transporting, treating and disposing of
12 contaminated soil.

13 (c) Pumping and treating contaminated water.

14 (d) Treatment, containment or removal of contaminants in groundwater
15 or soil.

16 7. Real and personal property and improvements constructed or
17 installed from and after December 31, 2004 through December 31, 2010 and
18 owned by a qualified business under section 41-1516 and used solely for the
19 purpose of harvesting, transporting or the initial processing of qualifying
20 forest products removed from qualifying projects as defined in section
21 41-1516. The classification under this paragraph is subject to the following
22 terms and conditions:

23 (a) Property may be initially classified under this paragraph only in
24 valuation years 2005 through 2010.

25 (b) Property may not be classified under this paragraph for more than
26 five years.

27 (c) Any new addition or improvement, constructed or installed from and
28 after December 31, 2004 through December 31, 2010, to property already
29 classified under this paragraph qualifies separately for classification and
30 assessment under this paragraph for not more than five years.

31 (d) Property that is classified under this paragraph shall not
32 thereafter be classified under paragraph 2, 3, 4, ~~5~~ 5 OR 9 of this section.

33 8. Real and personal property and improvements to the property that
34 are used specifically and solely to manufacture from and after December 31,
35 2006 through December 31, 2016 biodiesel fuel that is one hundred per cent
36 biodiesel and its by-products and that are valued at full cash value. This
37 paragraph applies only to the portion of property that is used specifically
38 for manufacturing and processing one hundred per cent biodiesel fuel, or its
39 related by-products, from raw feedstock obtained from off-site sources,
40 including necessary on-site storage facilities that are intrinsically
41 associated with the manufacturing process. Any other commercial or
42 industrial use disqualifies the entire property from classification under
43 this paragraph.

44 9. REAL AND PERSONAL PROPERTY AND IMPROVEMENTS CERTIFIED PURSUANT TO
45 SECTION 41-1510.02, SUBSECTION C, PARAGRAPH 2, USED EXCLUSIVELY FOR SOLAR

1 ENERGY TECHNOLOGIES MANUFACTURING OR REGIONAL, NATIONAL OR GLOBAL
2 HEADQUARTERS OPERATIONS AS PROVIDED BY SECTION 42-12056. THIS PARAGRAPH
3 APPLIES ONLY TO PROPERTY THAT IS USED IN MANUFACTURING AND HEADQUARTERS
4 OPERATIONS OF SOLAR ENERGY COMPANIES, INCLUDING NECESSARY ON-SITE STORAGE
5 FACILITIES THAT ARE ASSOCIATED WITH THE MANUFACTURING PROCESS. ANY OTHER
6 COMMERCIAL OR INDUSTRIAL USE DISQUALIFIES THE ENTIRE PROPERTY FROM
7 CLASSIFICATION UNDER THIS PARAGRAPH. CLASSIFICATION UNDER THIS PARAGRAPH IS
8 LIMITED TO THE TIME PERIODS DETERMINED BY THE DEPARTMENT OF COMMERCE PURSUANT
9 TO SECTION 41-1510.02, SUBSECTION C, PARAGRAPH 2, SUBDIVISION (a) OR (b).
10 PROPERTY THAT IS CLASSIFIED UNDER THIS PARAGRAPH SHALL NOT THEREAFTER BE
11 CLASSIFIED UNDER ANY OTHER PARAGRAPH OF THIS CHAPTER.

12 Sec. 6. Title 42, chapter 12, article 2, Arizona Revised Statutes, is
13 amended by adding section 42-12056, to read:

14 42-12056. Criteria for solar energy technologies property

15 A. TO QUALIFY FOR THE CLASSIFICATION AS CLASS SIX PURSUANT TO SECTION
16 42-12006, PARAGRAPH 11, THE OWNER OF A MANUFACTURING FACILITY OR HEADQUARTERS
17 FACILITY MUST BE CERTIFIED PURSUANT TO SECTION 41-1510.02, SUBSECTION C,
18 PARAGRAPH 2 AND MUST PROVIDE DOCUMENTATION TO THE COUNTY ASSESSOR EACH YEAR
19 THAT THE FACILITY IS EXCLUSIVELY DEDICATED TO MANUFACTURING SOLAR ENERGY
20 TECHNOLOGIES MANUFACTURING OR REGIONAL, NATIONAL OR GLOBAL HEADQUARTERS
21 OPERATIONS.

22 B. FOR THE PURPOSES OF THIS SECTION, SOLAR ENERGY TECHNOLOGIES ARE
23 LIMITED TO SYSTEMS AND COMPONENTS THAT ARE USED OR USEFUL FOR THE
24 MANUFACTURING OF SOLAR ENERGY DEVICES, AS DEFINED IN SECTION 44-1761, OR FOR
25 THE GENERATION, STORAGE, TRANSMISSION OR DISTRIBUTION OF ELECTRICITY FROM
26 SOLAR RENEWABLE RESOURCES, INCLUDING PHOTOVOLTAIC AND CONCENTRATED SOLAR
27 POWER AND SOLAR THERMAL PROCESS USED IN GENERATING ELECTRICITY.

28 Sec. 7. Section 42-15006, Arizona Revised Statutes, is amended to
29 read:

30 42-15006. Assessed valuation of class six property

31 The assessed valuation of class six property described in
32 section 42-12006 is based on the following percentages to the full cash value
33 or limited valuation of class six property, as applicable:

- 34 1. Property described in section 42-12006, paragraphs 1, 2, 3, 5, 6,
35 ~~and~~ 7 AND 9, five per cent.
- 36 2. Property described in section 42-12006, paragraph 4:
- 37 (a) For primary property tax purposes, five per cent.
- 38 (b) Except as provided in subdivision (c), for secondary property tax
39 purposes:
- 40 (i) Twenty-five per cent through December 31, 2006.
- 41 (ii) Twenty-four per cent beginning from and after December 31, 2006
42 through December 31, 2007.
- 43 (iii) Twenty-three per cent beginning from and after December 31, 2007
44 through December 31, 2008.

1 (iv) Twenty-two per cent beginning from and after December 31, 2008
2 through December 31, 2009.

3 (v) Twenty-one per cent beginning from and after December 31, 2009
4 through December 31, 2010.

5 (vi) Twenty per cent beginning from and after December 31, 2010.

6 (c) If subdivision (b) is finally adjudicated to be invalid, for
7 secondary property tax purposes, five per cent.

8 Sec. 8. Section 43-206, Arizona Revised Statutes, is amended to read:
9 43-206. Urban revenue sharing fund; allocation; distribution

10 A. There is established an urban revenue sharing fund. ~~For fiscal~~
11 ~~year 2000-2001 and fiscal year 2001-2002, the urban revenue sharing fund~~
12 ~~shall consist of an amount equal to fifteen per cent of the net proceeds of~~
13 ~~the state income taxes for fiscal year 1998-1999 and 1999-2000, respectively.~~
14 ~~For fiscal years 2002-2003 and 2003-2004, the fund shall consist of an amount~~
15 ~~equal to fifteen per cent of the amount of monies transferred pursuant to law~~
16 ~~in fiscal year 2000-2001 and 2001-2002, respectively, from the budget~~
17 ~~stabilization fund to the tax refund account of the state general fund plus~~
18 ~~fourteen and eight-tenths per cent of the net proceeds of the state income~~
19 ~~taxes, not including any amounts transferred from the budget stabilization~~
20 ~~fund to the tax refund account, for fiscal year 2000-2001 and 2001-2002,~~
21 ~~respectively. For fiscal year 2004-2005 and each fiscal year thereafter, The~~
22 fund shall consist of an amount equal to fifteen per cent of the net proceeds
23 of the state income taxes for the fiscal year two years preceding the current
24 fiscal year. The fund shall be distributed to incorporated cities and towns
25 as provided in this section, **EXCEPT THAT A CITY OR TOWN SHALL RECEIVE AT**
26 **LEAST AN AMOUNT EQUAL TO WHAT A CITY OR TOWN WITH A POPULATION OF FIFTEEN**
27 **HUNDRED OR MORE PERSONS WOULD RECEIVE.** The transfer of net proceeds
28 prescribed by section 49-282, subsection B does not affect the calculation of
29 net proceeds prescribed by this subsection.

30 B. Each city or town shall share in the urban revenue sharing fund in
31 the proportion that the population of each bears to the population of all.
32 Except as provided by sections 42-5033 and 42-5033.01, the population of a
33 city or town as determined by the most recent United States decennial census
34 plus any revisions to the decennial census certified by the United States
35 bureau of the census shall be used as the basis for apportioning monies
36 pursuant to this subsection.

37 C. The treasurer, upon instruction from the department, shall
38 transmit, no later than the tenth day of each month, to each city or town an
39 amount equal to one-twelfth of that city's or town's total entitlement for
40 the current fiscal year from the urban revenue sharing fund as determined by
41 the department.

42 D. A newly incorporated city or town shall share in the urban revenue
43 sharing fund beginning the first month of the first full fiscal year
44 following incorporation.

1 E. On receipt of a certificate of default from the greater Arizona
2 development authority pursuant to section 41-1554.06 or 41-1554.07, the state
3 treasurer, to the extent not otherwise expressly prohibited by law, shall
4 withhold from the next succeeding distribution of monies pursuant to this
5 section due to the city or town the amount specified in the certificate of
6 default and immediately deposit the amount withheld in the greater Arizona
7 development authority revolving fund. The state treasurer shall continue to
8 withhold and deposit the monies until the authority certifies to the state
9 treasurer that the default has been cured. In no event shall the state
10 treasurer withhold any amount that is necessary, as certified by the
11 defaulting political subdivision to the state treasurer and the authority, to
12 make any required deposits then due for the payment of principal and interest
13 on bonds of the political subdivision that were issued prior to the date of
14 the loan repayment agreement or bonds and that have been secured by a pledge
15 of distributions made pursuant to this section.

16 Sec. 9. Repeal

17 Section 43-222, Arizona Revised Statutes, is repealed.

18 Sec. 10. Title 43, chapter 2, article 2, Arizona Revised Statutes, is
19 amended by adding a new section 43-222, to read:

20 43-222. Income tax credit review schedule

21 THE JOINT LEGISLATIVE INCOME TAX CREDIT REVIEW COMMITTEE SHALL REVIEW
22 THE FOLLOWING INCOME TAX CREDITS:

23 1. FOR YEARS ENDING IN 0 AND 5, SECTIONS 43-1075, 43-1075.01,
24 43-1079.01, 43-1087, 43-1088, 43-1090.01, 43-1163, 43-1163.01, 43-1167.01,
25 43-1175 AND 43-1182.

26 2. FOR YEARS ENDING IN 1 AND 6, SECTIONS 43-1074.02, 43-1083, 43-1085,
27 43-1164 AND 43-1183.

28 3. FOR YEARS ENDING IN 2 AND 7, SECTIONS 43-1073, 43-1079, 43-1080,
29 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1090, 43-1167, 43-1169, 43-1176
30 AND 43-1181.

31 4. FOR YEARS ENDING IN 3 AND 8, SECTIONS 43-1074.01, 43-1081, 43-1168,
32 43-1170 AND 43-1178.

33 5. FOR YEARS ENDING IN 4 AND 9, SECTIONS 43-1076, 43-1081.01,
34 43-1083.01, 43-1084, 43-1162, 43-1164.01 AND 43-1170.01.

35 Sec. 11. Section 43-1074, Arizona Revised Statutes, is amended to
36 read:

37 43-1074. Credit for increased employment in enterprise zones;
38 definitions

39 A. A credit is allowed against the taxes imposed by this title for net
40 increases in qualified employment positions of residents of this state by a
41 business located in an enterprise zone established under title 41, chapter
42 10, article 2, except employment positions at a zone location where more than
43 ten per cent of the business conducted at the location consists of retail
44 sales of tangible personal property, measured by either the number of
45 employees assigned to retail sales or the square footage of the facility used

1 for retail sales activities at the location in the zone. Retail sales and
2 retail sales activities do not include:

3 1. Food and beverage for consumption on the premises solely by
4 employees and occasional guests of employees at the location.

5 2. Promotional products not available for sale and displaying the
6 company logo or trademark.

7 3. Products sold to company employees.

8 B. Subject to subsection E of this section, the amount of the credit
9 is equal to:

10 1. One-fourth of the taxable wages paid to an employee in a qualified
11 employment position, not to exceed five hundred dollars, in the first year or
12 partial year of employment.

13 2. One-third of the taxable wages paid to an employee in a qualified
14 employment position, not to exceed one thousand dollars per qualified
15 employment position, in the second year of continuous employment.

16 3. One-half of the taxable wages paid to an employee in a qualified
17 employment position, not to exceed one thousand five hundred dollars per
18 qualified employment position, in the third year of continuous employment.

19 C. To qualify for a credit under this section:

20 1. All of the employees with respect to whom a credit is claimed must
21 reside in this state.

22 2. Thirty-five per cent of the employees with respect to whom a credit
23 is claimed for the first year of employment must reside on the date of
24 employment in an enterprise zone that is located in the same county in which
25 the business is located. If an employee for whom a credit was allowed in the
26 first year of employment leaves employment during the second or third year,
27 the taxpayer may substitute another employee who meets the requirements of
28 paragraph 3 of this subsection and who was hired during the same year as the
29 original employee. If the original employee was counted toward the residency
30 requirement under this paragraph, the substitute employee must also have
31 resided in a zone at the time the substitute was hired.

32 3. A qualified employment position must meet all of the following
33 requirements:

34 (a) The position must be a minimum of one thousand seven hundred fifty
35 hours per year of full-time and permanent employment.

36 (b) The job duties must be performed primarily at the zone locations
37 of the business. If an eligible employee in a qualified employment position
38 is transferred or assigned to work in the taxpayer's workplace at a different
39 location that is also located in an enterprise zone and qualifies as a zone
40 location, it may be considered to be continuous employment if it continues to
41 meet all qualified employment position requirements.

42 (c) The employment must include health insurance coverage for the
43 employee for which the employer pays at least fifty per cent of the premium
44 or membership cost. If the taxpayer is self-insured, the taxpayer must pay
45 at least fifty per cent of a predetermined fixed cost per employee for an

1 insurance program that is payable whether or not the employee has filed
2 claims.

3 (d) The employer must pay compensation at least equal to the wage
4 offer by county as computed annually by the department of economic security
5 research administration division.

6 (e) The employee must have been employed for at least ninety days
7 during the first taxable year. An employee who is hired during the last
8 ninety days of the taxable year shall be considered a new employee during the
9 next taxable year. A qualified employment position that is filled during the
10 last ninety days of the taxable year is considered to be a new qualified
11 employment position for the next taxable year.

12 (f) The employee must not have been previously employed by the
13 taxpayer within twelve months before the current date of hire.

14 D. A credit is allowed for employment in the second and third year
15 only for qualified employment positions for which a credit was allowed and
16 claimed by the taxpayer on the original first and second year tax returns.
17 For the purposes of this subsection, the requirement to claim the credit on
18 the original tax return does not apply to qualified employment positions
19 created before January 1, 2002 and ~~were~~ certified to the department of
20 commerce.

21 E. The net increase in the number of qualified employment positions is
22 the lesser of the total number of filled qualified employment positions
23 created in the zone during the tax year or the difference between the average
24 number of full-time employees in the zone in the current tax year and the
25 average number of full-time employees during the immediately preceding
26 taxable year. The net increase in the number of qualified employment
27 positions computed under this subsection shall not exceed two hundred
28 qualified employment positions per taxpayer each year.

29 F. A taxpayer who claims a credit under section 43-1077, ~~or~~ 43-1079 OR
30 43-1083.01 shall not claim a credit under this section with respect to the
31 same ~~employees~~ EMPLOYMENT POSITIONS.

32 G. If the allowable tax credit exceeds the income taxes otherwise due
33 on the claimant's income, or if there are no state income taxes due on the
34 claimant's income, the amount of the claim not used as an offset against
35 income taxes may be carried forward as a tax credit against subsequent
36 taxable years' income tax liability, not to exceed five taxable years,
37 provided the business remains in an enterprise zone.

38 H. Co-owners of a business, including partners in a partnership and
39 shareholders of an S corporation, as defined in section 1361 of the internal
40 revenue code, may each claim only the pro rata share of the credit allowed
41 under this section based on the ownership interest. The total of the credits
42 allowed all such owners of the business may not exceed the amount that would
43 have been allowed for a sole owner of the business.

44 I. If a person purchases a business in a zone or changes ownership
45 through reorganization, stock purchase or merger, the new taxpayer may claim

1 first year credits only for one or more qualified employment positions that
2 it created and filled with an eligible employee after the purchase or
3 reorganization was complete. If a person purchases a taxpayer that had
4 qualified for first or second year credits or changes ownership through
5 reorganization, stock purchase or merger, the new taxpayer may claim the
6 second or third year credits if it meets other eligibility requirements of
7 this section. Credits for which a taxpayer qualified before the changes
8 described in this subsection are terminated and lost at the time the changes
9 are implemented.

10 J. A failure to timely report and certify to the department of
11 commerce and the department of revenue the information prescribed by section
12 41-1525, subsection B, paragraphs 1, 2 and 3 and in the manner prescribed by
13 section 41-1525, subsection C, ~~disqualifies~~ disqualifies the taxpayer from the credit
14 under this section. The department of revenue shall require written evidence
15 of the timely report to the department of commerce.

16 K. The termination of an enterprise zone does not affect the credit
17 under this section with respect to:

18 1. Taxpayers who have employees in the second and third years of
19 employment in qualified employment positions under subsections A, B and C of
20 this section if the business remains in the location that was in the
21 enterprise zone.

22 2. Amounts carried forward into subsequent taxable years under
23 subsection G of this section.

24 L. The department may adopt rules necessary for the administration of
25 this section.

26 M. For the purposes of this section:

27 1. "Assigned to retail" means working more than twenty-five per cent
28 of an employee's time in one or more retail sales activities.

29 2. "Retail sales" means the sale of tangible personal property to an
30 ultimate consumer.

31 3. "Retail sales activities" means all activities persons operating a
32 retail business normally engage in, including taking orders, filling orders,
33 billing orders, receiving and processing payment and shipping, stocking and
34 delivering tangible personal property to the ultimate consumer, except drop
35 shipments by a company acting on behalf of an unrelated company that has made
36 a sale to a final consumer.

37 4. "Zone location" means a single parcel or contiguous parcels of
38 owned or leased land, the structures and personal property contained on the
39 land or any part of the structures occupied by a taxpayer.

40 Sec. 12. Section 43-1074.01, Arizona Revised Statutes, is amended to
41 read:

42 43-1074.01. Credit for increased research activities

43 A. A credit is allowed against the taxes imposed by this title in an
44 amount determined pursuant to section 41 of the internal revenue code, except
45 that:

1 1. The amount of the credit is based on the excess, if any, of the
2 qualified research expenses for the taxable year over the base amount as
3 defined in section 41(c) of the internal revenue code and is computed as
4 follows:

5 (a) If the excess is two million five hundred thousand dollars or
6 less, the credit is equal to ~~twenty~~ TWENTY-FOUR per cent of that amount.

7 (b) If the excess is over two million five hundred thousand dollars,
8 the credit is equal to ~~five~~ SIX hundred thousand dollars plus ~~eleven~~ FIFTEEN
9 per cent of any amount exceeding two million five hundred thousand dollars,
10 except that:

11 (i) For taxable years beginning from and after December 31, 2000
12 through December 31, 2001, the credit shall not exceed one million five
13 hundred thousand dollars.

14 (ii) For taxable years beginning from and after December 31, 2001
15 through December 31, 2002, the credit shall not exceed two million five
16 hundred thousand dollars.

17 2. Qualified research includes only research conducted in this state
18 including research conducted at a university in this state and paid for by
19 the taxpayer.

20 3. If two or more taxpayers, including partners in a partnership and
21 shareholders of an S corporation, as defined in section 1361 of the internal
22 revenue code, share in the eligible expenses, each taxpayer is eligible to
23 receive a proportionate share of the credit.

24 4. The credit under this section applies only to expenses incurred
25 from and after December 31, 2000.

26 5. The termination provisions of section 41 of the internal revenue
27 code do not apply.

28 B. If the allowable credit under this section exceeds the taxes
29 otherwise due under this title on the claimant's income, or if there are no
30 taxes due under this title, the amount of the credit not used to offset taxes
31 may be carried forward to the next fifteen consecutive taxable years. The
32 amount of credit carryforward from taxable years beginning from and after
33 December 31, 2000 through December 31, 2002 that may be used in any taxable
34 year may not exceed the taxpayer's tax liability under this title or five
35 hundred thousand dollars, whichever is less, minus the credit under this
36 section for the current taxable year's qualified research expenses. The
37 amount of credit carryforward from taxable years beginning from and after
38 December 31, 2002 that may be used in any taxable year may not exceed the
39 taxpayer's tax liability under this title minus the credit under this section
40 for the current taxable year's qualified research expenses.

1 Sec. 13. Section 43-1077, Arizona Revised Statutes, is amended to
2 read:

3 43-1077. Credit for employment by qualified defense contractor

4 A. A credit is allowed against the taxes imposed by this title for:

5 1. Net increases in employment under United States department of
6 defense contracts during the taxable year, as computed under subsection D of
7 this section, by a qualified defense contractor who is certified by the
8 department of commerce under section 41-1508.

9 2. Net increases in private commercial employment during the taxable
10 year, as computed under subsection E of this section, by a qualified defense
11 contractor who is certified by the department of commerce under section
12 41-1508 due to full-time equivalent employee positions transferred during the
13 taxable year by the taxpayer from exclusively defense related activities to
14 employment by the taxpayer in exclusively private commercial activities.

15 B. The amount of the credit is a dollar amount allowed for each
16 full-time equivalent employee position created, determined as follows:

17 1st year	\$2,500
18 2nd year	\$2,000
19 3rd year	\$1,500
20 4th year	\$1,000
21 5th year	\$ 500

22 C. If the allowable tax credit exceeds the taxes otherwise due under
23 this title on the claimant's income, or if there are no taxes due under this
24 title, the taxpayer may carry the amount of the claim not used to offset the
25 taxes under this title forward until taxable years beginning from and after
26 December 31, 2011 as a credit against subsequent years' income tax liability,
27 regardless of continuing certification as a qualified defense contractor.

28 D. The net increase in employment under defense related contracts
29 shall be determined as follows:

30 1. Establish an employment baseline for the taxpayer based on a
31 multiyear forecast of employment on United States department of defense
32 contracts that was submitted to the department of defense before June 1,
33 1992. The annual average employment forecast for the first year the taxpayer
34 qualified is the baseline. If the taxpayer did not make such a forecast
35 before June 1, 1992, the baseline is the average annual employment as
36 reported to the department of economic security during the preceding taxable
37 year. If a taxpayer qualifies in the same year it relocates into this state,
38 the taxpayer's baseline is zero.

39 2. For the first year of the credit, the taxpayer's net increase in
40 average employment is the increase in employment reported to the department
41 of economic security for the taxable year over the employment baseline.

42 3. For each succeeding year of the credit, the taxpayer's net increase
43 in average employment is the increase in employment reported to the
44 department of economic security for the taxable year over the preceding
45 taxable year's average employment.

1 E. In computing the amount of credit allowed under subsection A,
2 paragraph 2 of this section, the taxpayer shall:

3 1. Prorate employment during the taxable year according to the date of
4 transfer from defense to private commercial activities or the date of
5 transfer from private commercial activities to defense.

6 2. Compute and subtract an amount pursuant to subsection B of this
7 section for full-time equivalent employee positions that were transferred
8 during the taxable year by the taxpayer from exclusively private commercial
9 activities to exclusively defense related activities.

10 F. The taxpayer shall account for qualifying full-time equivalent
11 employee positions on a first-in first-out basis. If a decrease in
12 qualifying employment occurs, the taxpayer shall subtract the decrease from
13 the earliest qualifying positions.

14 G. A credit is not allowed under both subsection A, paragraphs 1 and 2
15 of this section with respect to the same employee position. A full-time
16 equivalent employee position may be considered for purposes of computing the
17 credit under either subsection A, paragraph 1 or 2 of this section, but not
18 both.

19 H. A credit is not allowed under this section with respect to
20 employment that was transferred from an outside contractor in this state to
21 in-house employment by the taxpayer solely for purposes of qualifying for the
22 credit.

23 I. A taxpayer who claims a credit under section 43-1074, ~~or~~ 43-1079 OR
24 43-1083.01 may not claim a credit under this section with respect to the same
25 ~~employees~~ EMPLOYEE POSITIONS.

26 J. Co-owners of a business, including partners in a partnership and
27 shareholders of an S corporation, as defined in section 1361 of the internal
28 revenue code, may each claim only the pro rata share of the credit allowed
29 under this section based on the ownership interest. The total of the credits
30 allowed all such owners may not exceed the amount that would have been
31 allowed for a sole owner of the business.

32 Sec. 14. Section 43-1079, Arizona Revised Statutes, is amended to
33 read:

34 43-1079. Credit for increased employment in military reuse
35 zones; definition

36 A. A credit is allowed against the taxes imposed by this title for net
37 increases in employment by the taxpayer of full-time employees working in a
38 military reuse zone, established under title 41, chapter 10, article 3, and
39 who are primarily engaged in providing aviation or aerospace services or in
40 manufacturing, assembling or fabricating aviation or aerospace products. The
41 amount of the credit is a dollar amount allowed for each new employee,
42 determined as follows:

43 1. With respect to each employee other than a dislocated military base
44 employee:

1	1st year of employment	\$ 500
2	2nd year of employment	\$1,000
3	3rd year of employment	\$1,500
4	4th year of employment	\$2,000
5	5th year of employment	\$2,500
6	2. With respect to each dislocated military base employee:	
7	1st year of employment	\$1,000
8	2nd year of employment	\$1,500
9	3rd year of employment	\$2,000
10	4th year of employment	\$2,500
11	5th year of employment	\$3,000

12 B. If the allowable tax credit exceeds the taxes otherwise due under
13 this title on the claimant's income, or if there are no taxes due under this
14 title, the amount of the claim not used to offset the taxes under this title
15 may be carried forward as a credit against subsequent years' income tax
16 liability for the period, not to exceed five taxable years, if the business
17 remains in the military reuse zone.

18 C. The net increase in the number of employees for purposes of this
19 section shall be determined by comparing the taxpayer's average employment in
20 the military reuse zone during the taxable year with the taxpayer's previous
21 year's fourth quarter employment in the zone, based on the taxpayer's report
22 to the department of economic security for unemployment insurance purposes
23 but considering only employment in the zone.

24 D. Co-owners of a business, including partners in a partnership and
25 shareholders of an S corporation, as defined in section 1361 of the internal
26 revenue code, may each claim only the pro rata share of the credit allowed
27 under this section based on the ownership interest. The total of the credits
28 allowed all such owners may not exceed the amount that would have been
29 allowed for a sole owner of the business.

30 E. A credit is not allowed under this section with respect to an
31 employee whose place of employment is relocated by the taxpayer from a
32 location in this state to the military reuse zone, unless the employee is
33 engaged in aviation or aerospace services or in manufacturing, assembling or
34 fabricating aviation or aerospace products and the taxpayer maintains at
35 least the same number of employees in this state but outside the zone.

36 F. A taxpayer who claims a credit under section 43-1074, ~~or~~ 43-1077 OR
37 43-1083.01 may not claim a credit under this section with respect to the same
38 employees.

39 G. For the purposes of this section, "dislocated military base
40 employee" means a civilian who previously had permanent full-time civilian
41 employment on the military facility as of the date the closure of the
42 facility was finally determined under federal law, as certified by the
43 department of commerce.

1 Sec. 15. Title 43, chapter 10, article 5, Arizona Revised Statutes, is
2 amended by adding section 43-1083.01, to read:

3 43-1083.01. Credit for solar energy industry

4 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2009, A
5 CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR QUALIFIED
6 INVESTMENT AND EMPLOYMENT IN EXPANDING OR LOCATING QUALIFIED SOLAR ENERGY
7 TECHNOLOGIES OPERATIONS IN THIS STATE. TO QUALIFY FOR THE CREDIT, THE
8 TAXPAYER MUST INVEST IN SOLAR ENERGY TECHNOLOGIES MANUFACTURING, OR IN NEW
9 REGIONAL, NATIONAL OR GLOBAL SOLAR ENERGY TECHNOLOGIES BUSINESS HEADQUARTERS,
10 IN THIS STATE AND PRODUCE NEW FULL-TIME EMPLOYMENT POSITIONS WHERE THE JOB
11 DUTIES ARE PERFORMED AT THE LOCATION OF THE QUALIFYING INVESTMENT AS PROVIDED
12 BY SECTION 41-1510.02.

13 B. THE AMOUNT OF THE CREDIT IS COMPUTED AS FOLLOWS:

14 1. TEN PER CENT OF THE TAXPAYER'S TOTAL CAPITAL INVESTMENT IN PROJECTS
15 MEETING THE FOLLOWING MINIMUM EMPLOYMENT REQUIREMENTS:

16 (a) FOR QUALIFYING SOLAR ENERGY TECHNOLOGIES MANUFACTURING OPERATIONS,
17 AT LEAST ONE AND ONE-HALF NEW FULL-TIME EMPLOYMENT POSITIONS FOR EACH FIVE
18 HUNDRED THOUSAND DOLLAR INCREMENT OF CAPITAL INVESTMENT.

19 (b) FOR QUALIFYING SOLAR ENERGY TECHNOLOGIES BUSINESS HEADQUARTERS, AT
20 LEAST ONE NEW FULL-TIME EMPLOYMENT POSITION FOR EACH TWO HUNDRED THOUSAND
21 DOLLAR INCREMENT OF CAPITAL INVESTMENT.

22 2. FOR A QUALIFYING SOLAR ENERGY TECHNOLOGIES PROJECT THAT DOES NOT
23 MEET THE EMPLOYMENT REQUIREMENTS PRESCRIBED BY PARAGRAPH 1, TEN PER CENT OF
24 THE AMOUNT COMPUTED AS FOLLOWS:

25 (a) FIVE HUNDRED THOUSAND DOLLARS PER ONE AND ONE-HALF NEW FULL-TIME
26 EMPLOYMENT POSITIONS IN NEW SOLAR ENERGY TECHNOLOGIES MANUFACTURING
27 OPERATIONS.

28 (b) TWO HUNDRED THOUSAND DOLLARS FOR EACH NEW FULL-TIME EMPLOYMENT
29 POSITION AT A NEW SOLAR ENERGY TECHNOLOGIES BUSINESS HEADQUARTERS.

30 (c) THE AMOUNT OF CREDIT UNDER THIS PARAGRAPH SHALL NOT EXCEED TEN PER
31 CENT OF THE AMOUNT OF THE TAXPAYER'S TOTAL CAPITAL INVESTMENT.

32 3. THE CREDIT AMOUNT COMPUTED UNDER PARAGRAPH 1 OR 2 OF THIS
33 SUBSECTION IS APPORTIONED, AND THE TAXPAYER SHALL CLAIM THE CREDIT IN FIVE
34 EQUAL ANNUAL INSTALLMENTS IN EACH OF FIVE CONSECUTIVE TAXABLE YEARS.

35 C. TO CLAIM THE CREDIT THE TAXPAYER MUST:

36 1. CONDUCT A BUSINESS THAT QUALIFIES UNDER SECTION 41-1510.02.

37 2. SUBMIT A COPY OF A CURRENT AND VALID CERTIFICATION OF QUALIFICATION
38 ISSUED TO THE TAXPAYER BY THE DEPARTMENT OF COMMERCE.

39 D. TO BE COUNTED FOR THE PURPOSES OF THE CREDIT, AN EMPLOYEE MUST HAVE
40 BEEN EMPLOYED AT THE QUALIFYING BUSINESS LOCATION FOR AT LEAST NINETY DAYS
41 DURING THE TAXABLE YEAR IN A PERMANENT FULL-TIME EMPLOYMENT POSITION OF AT
42 LEAST ONE THOUSAND SEVEN HUNDRED FIFTY HOURS PER YEAR. AN EMPLOYEE WHO IS
43 HIRED DURING THE LAST NINETY DAYS OF THE TAXABLE YEAR SHALL BE CONSIDERED A
44 NEW EMPLOYEE DURING THE NEXT TAXABLE YEAR. TO BE COUNTED FOR THE PURPOSES OF
45 THE CREDIT DURING THE FIRST TAXABLE YEAR OF EMPLOYMENT, THE EMPLOYEE MUST NOT

1 HAVE BEEN PREVIOUSLY EMPLOYED BY THE TAXPAYER WITHIN TWELVE MONTHS BEFORE THE
2 CURRENT DATE OF HIRE. THE TERMS OF EMPLOYMENT MUST COMPLY IN ALL CASES WITH
3 THE REQUIREMENTS OF SECTION 41-1510.02 AND CERTIFICATION BY THE DEPARTMENT OF
4 COMMERCE.

5 E. CO-OWNERS OF A BUSINESS, INCLUDING PARTNERS IN A PARTNERSHIP AND
6 SHAREHOLDERS OF AN S CORPORATION, AS DEFINED IN SECTION 1361 OF THE INTERNAL
7 REVENUE CODE, MAY EACH CLAIM ONLY THE PRO RATA SHARE OF THE CREDIT ALLOWED
8 UNDER THIS SECTION BASED ON THE OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS
9 ALLOWED ALL SUCH OWNERS OF THE BUSINESS MAY NOT EXCEED THE AMOUNT THAT WOULD
10 HAVE BEEN ALLOWED FOR A SOLE OWNER OF THE BUSINESS.

11 F. IF THE ALLOWABLE TAX CREDIT FOR A TAXABLE YEAR EXCEEDS THE INCOME
12 TAXES OTHERWISE DUE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO STATE INCOME
13 TAXES DUE ON THE CLAIMANT'S INCOME, THE AMOUNT OF THE CLAIM NOT USED AS AN
14 OFFSET AGAINST INCOME TAXES MAY BE CARRIED FORWARD AS A TAX CREDIT AGAINST
15 SUBSEQUENT YEARS' INCOME TAX LIABILITY FOR A PERIOD NOT TO EXCEED FIVE
16 TAXABLE YEARS, AND SUBJECT TO CONTINUING CERTIFICATION UNDER SECTION
17 41-1510.02.

18 G. ALL OR PART OF ANY UNCLAIMED AMOUNT OF CREDIT UNDER THIS SECTION
19 MAY BE SOLD OR OTHERWISE TRANSFERRED, UNDER TERMS MUTUALLY AGREEABLE BETWEEN
20 THE TRANSFEROR AND TRANSFEREE, BUT SUBJECT TO THE FOLLOWING CONDITIONS:

21 1. A SINGLE SALE OR TRANSFER MAY INVOLVE ONE OR MORE TRANSFEREES, AND
22 ANY TRANSFEREE MAY IN TURN RESELL OR TRANSFER THE CREDIT SUBJECT TO THE SAME
23 CONDITIONS OF THIS SUBSECTION.

24 2. BOTH THE TRANSFEROR AND TRANSFEREE MUST SUBMIT A WRITTEN NOTICE OF
25 THE TRANSFER TO THE DEPARTMENT OF REVENUE WITHIN THIRTY DAYS AFTER THE SALE
26 OR TRANSFER. THE TRANSFEREE'S NOTICE SHALL INCLUDE A PROCESSING FEE EQUAL TO
27 ONE PER CENT OF THE TRANSFEREE'S TAX CREDIT BALANCE OR TWO HUNDRED DOLLARS,
28 WHICHEVER IS LESS. THE NOTICE SHALL INCLUDE:

29 (a) THE NAMES OF THE TRANSFEROR AND TRANSFEREE.

30 (b) THE DATE OF THE TRANSFER.

31 (c) THE AMOUNT OF THE TRANSFER.

32 (d) THE TRANSFEROR'S TAX CREDIT BALANCE BEFORE THE TRANSFER AND THE
33 REMAINING BALANCE AFTER THE TRANSFER.

34 (e) ALL TAX IDENTIFICATION NUMBERS FOR BOTH TRANSFEROR AND TRANSFEREE.

35 (f) ANY OTHER INFORMATION REQUIRED BY RULE.

36 3. A SALE OR TRANSFER OF THE CREDIT DOES NOT EXTEND THE TIME IN WHICH
37 THE CREDIT CAN BE USED. THE TRANSFEREE MUST TAKE THE CREDIT IN FIVE EQUAL
38 ANNUAL INSTALLMENTS IN EACH OF FIVE CONSECUTIVE TAXABLE YEARS AS DESCRIBED IN
39 SUBSECTION B, PARAGRAPH 3 OF THIS SECTION.

40 4. THE TRANSFEROR, AT ITS EXPENSE, MUST ENTER INTO A LIMITED MANAGED
41 AUDIT AGREEMENT PURSUANT TO TITLE 42, CHAPTER 2, ARTICLE 7 THAT INCLUDES AN
42 AUDIT OF THE REQUIREMENTS PRESCRIBED BY SECTION 41-1510.02 AND BY THIS
43 SECTION TO CONFIRM THE AMOUNT OF ANY CREDIT UNDER THIS SECTION. THE REQUEST
44 TO ENTER INTO THE AUDIT MUST BE MADE AFTER THE TAXPAYER IS CERTIFIED PURSUANT
45 TO SECTION 41-1510.02, SUBSECTION F. THE AUDIT MUST BE CONDUCTED BY THE

1 TAXPAYER'S AUTHORIZED REPRESENTATIVE, AS DEFINED BY SECTION 42-2301, WHO IS
2 AN INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT LICENSED IN THIS STATE. THE
3 CERTIFIED PUBLIC ACCOUNTANT AND THE FIRM THE CERTIFIED PUBLIC ACCOUNTANT IS
4 AFFILIATED WITH SHALL NOT REGULARLY PERFORM SERVICES FOR THE TAXPAYER OR ANY
5 AFFILIATE OF THE TAXPAYER. IF THE DEPARTMENT OF REVENUE ACCEPTS THE FINDINGS
6 OF THE AUDIT AND ISSUES A NOTICE OF DETERMINATION PURSUANT TO SECTION 42-2303
7 AND THE TAXPAYER TIMELY FILES ITS INCOME TAX RETURNS WITH THE APPROPRIATE
8 CREDIT CLAIM FORMS, THE CREDIT AMOUNT MAY BE TRANSFERRED. THE DEPARTMENT
9 SHALL ISSUE A NOTICE OF DETERMINATION INCLUDING A WRITTEN CERTIFICATE TO THE
10 TAXPAYER STATING THE AMOUNT OF THE CREDIT AND THAT THE CREDIT MAY BE
11 TRANSFERRED. THIS PARAGRAPH DOES NOT PREVENT RECAPTURE OF A CREDIT AMOUNT IF
12 THE TAXPAYER FAILED TO DISCLOSE MATERIAL INFORMATION DURING THE AUDIT OR
13 FALSIFIED ITS BOOKS OR RECORDS OR OTHERWISE ENGAGED IN AN ACTION THAT
14 PREVENTED AN ACCURATE AUDIT.

15 H. EXCEPT AS PROVIDED BY SUBSECTION I OF THIS SECTION, IF, WITHIN TEN
16 TAXABLE YEARS AFTER FIRST RECEIVING A CREDIT PURSUANT TO THIS SECTION, THE
17 CERTIFICATION OF QUALIFICATION OF A BUSINESS IS TERMINATED OR REVOKED UNDER
18 SECTION 41-1510.02, OTHER THAN FOR REASONS BEYOND THE CONTROL OF THE BUSINESS
19 AS DETERMINED BY THE DEPARTMENT OF COMMERCE, THE TAXPAYER IS PERMANENTLY
20 DISQUALIFIED FROM CREDITS UNDER THIS SECTION IN SUBSEQUENT TAXABLE YEARS AND
21 THE CREDITS ALLOWED THE TAXPAYER IN ALL TAXABLE YEARS PURSUANT TO THIS
22 SECTION ARE SUBJECT TO RECAPTURE PURSUANT TO THIS SUBSECTION. IF THE CREDIT
23 HAS BEEN TRANSFERRED PURSUANT TO SUBSECTION G OF THIS SECTION, ANY RECAPTURE
24 PURSUANT TO THIS SUBSECTION IS FROM THE ORIGINAL TAXPAYER. THIS SUBSECTION
25 APPLIES ONLY IN THE CASE OF THE TERMINATION OR REVOCATION OF A CERTIFICATION
26 OF QUALIFICATION UNDER SECTION 41-1510.02. THIS SUBSECTION DOES NOT APPLY
27 IF, IN ANY TAXABLE YEAR, A TAXPAYER OTHERWISE DOES NOT QUALIFY FOR OR FAILS
28 TO CLAIM THE CREDIT UNDER THIS SECTION. THE RECAPTURE OF CREDITS IS COMPUTED
29 BY INCREASING THE AMOUNT OF TAXES IMPOSED IN THE YEAR FOLLOWING THE YEAR OF
30 TERMINATION OR REVOCATION BY THE FULL AMOUNT OF ALL CREDITS PREVIOUSLY
31 ALLOWED UNDER THIS SECTION WITH ANNUAL SIMPLE INTEREST EQUAL TO THE PRIME
32 RATE CHARGED BY BANKS ON SHORT-TERM BUSINESS LOANS AS DETERMINED FOR
33 PUBLICATION IN THE BULLETIN OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE
34 SYSTEM AS OF THE FIRST DAY OF EACH TAXABLE YEAR, PLUS TWO PER CENT.

35 I. A TAXPAYER WHO CLAIMS A CREDIT UNDER SECTION 43-1074, 43-1077 OR
36 43-1079 MAY NOT CLAIM A CREDIT UNDER THIS SECTION WITH RESPECT TO THE SAME
37 FULL-TIME EMPLOYMENT POSITIONS.

38 J. FOR THE PURPOSES OF THIS SECTION, SOLAR ENERGY TECHNOLOGIES ARE
39 LIMITED TO SYSTEMS AND COMPONENTS THAT ARE USED OR USEFUL FOR THE
40 MANUFACTURING OF SOLAR ENERGY DEVICES, AS DEFINED IN SECTION 44-1761, OR FOR
41 THE GENERATION, STORAGE, TRANSMISSION OR DISTRIBUTION OF ELECTRICITY FROM
42 SOLAR RENEWABLE RESOURCES, INCLUDING PHOTOVOLTAIC AND CONCENTRATED SOLAR
43 POWER AND SOLAR THERMAL PROCESS USED OR USEFUL IN GENERATING ELECTRICITY.

1 Sec. 16. Section 43-1161, Arizona Revised Statutes, is amended to
2 read:

3 43-1161. Credit for increased employment in enterprise zones:
4 definitions

5 A. A credit is allowed against the taxes imposed by this title for net
6 increases in qualified employment positions of residents of this state by a
7 business located in an enterprise zone established under title 41, chapter
8 10, article 2, except employment positions at a zone location where more than
9 ten per cent of the business conducted at the location consists of retail
10 sales of tangible personal property, measured by either the number of
11 employees assigned to retail sales or the square footage of the facility used
12 for retail sales activities at the location in the zone. Retail sales and
13 retail sales activities do not include:

- 14 1. Food and beverage for consumption on the premises solely by
15 employees and occasional guests of employees at the location.
16 2. Promotional products not available for sale and displaying the
17 company logo or trademark.
18 3. Products sold to company employees.

19 B. Subject to subsection E of this section, the amount of the credit
20 is equal to:

- 21 1. One-fourth of the taxable wages paid to an employee in a qualified
22 employment position, not to exceed five hundred dollars, in the first year or
23 partial year of employment.
24 2. One-third of the taxable wages paid to an employee in a qualified
25 employment position, not to exceed one thousand dollars per qualified
26 employment position, in the second year of continuous employment.
27 3. One-half of the taxable wages paid to an employee in a qualified
28 employment position, not to exceed one thousand five hundred dollars per
29 qualified employment position, in the third year of continuous employment.

30 C. To qualify for a credit under this section:

- 31 1. All of the employees with respect to whom a credit is claimed must
32 reside in this state.
33 2. Thirty-five per cent of the employees with respect to whom a credit
34 is claimed for the first year of employment must reside on the date of hire
35 in an enterprise zone that is located in the same county in which the
36 business is located. If an employee for whom a credit was allowed in the
37 first year of employment leaves employment during the second or third year,
38 the taxpayer may substitute another employee who meets the requirements of
39 paragraph 3 of this subsection and who was hired during the same year as the
40 original employee. If the original employee was counted toward the residency
41 requirement under this paragraph, the substitute employee must also have
42 resided in a zone at the time the substitute was hired.

43 3. A qualified employment position must meet all of the following
44 requirements:

1 (a) The position must be a minimum of one thousand seven hundred fifty
2 hours per year of full-time and permanent employment.

3 (b) The job duties must be performed primarily at the zone locations
4 of the business. If an eligible employee in a qualified employment position
5 is transferred or assigned to work in the taxpayer's workplace at a different
6 location that is also located in an enterprise zone and qualifies as a zone
7 location, it may be considered to be continuous employment if it continues to
8 meet all qualified employment position requirements.

9 (c) The employment must include health insurance coverage for the
10 employee for which the employer pays at least fifty per cent of the premium
11 or membership cost. If the taxpayer is self-insured, the taxpayer must pay
12 at least fifty per cent of a predetermined fixed cost per employee for an
13 insurance program that is payable whether or not the employee has filed
14 claims.

15 (d) The employer must pay compensation at least equal to the wage
16 offer by county as computed annually by the department of economic security
17 research administration division.

18 (e) The employee must have been employed for at least ninety days
19 during the first taxable year. An employee who is hired during the last
20 ninety days of the taxable year shall be considered a new employee during the
21 next taxable year. A qualified employment position that is filled during the
22 last ninety days of the taxable year is considered to be a new qualified
23 employment position for the next taxable year.

24 (f) The employee must not have been previously employed by the
25 taxpayer within twelve months before the current date of hire.

26 D. A credit is allowed for employment in the second and third year
27 only for qualified employment positions for which a credit was allowed and
28 claimed by the taxpayer on the original first and second year tax returns.
29 For the purposes of this subsection, the requirement to claim the credit on
30 the original tax return does not apply to qualified employment positions
31 created before January 1, 2002 and ~~were~~ certified to the department of
32 commerce.

33 E. The net increase in the number of qualified employment positions is
34 the lesser of the total number of filled qualified employment positions
35 created in the zone during the tax year or the difference between the average
36 number of full-time employees in the zone in the current tax year and the
37 average number of full-time employees during the immediately preceding
38 taxable year. The net increase in the number of qualified employment
39 positions computed under this subsection may not exceed two hundred qualified
40 employment positions per taxpayer each year.

41 F. A taxpayer who claims a credit under section [43-1164.01](#), 43-1165 or
42 43-1167 may not claim a credit under this section with respect to the same
43 ~~employees~~ EMPLOYMENT POSITIONS.

44 G. If the allowable tax credit exceeds the income taxes otherwise due
45 on the claimant's income, or if there are no state income taxes due on the

1 claimant's income, the amount of the claim not used as an offset against
2 income taxes may be carried forward as a tax credit against subsequent years'
3 income tax liability for the period, not to exceed five taxable years,
4 provided the business remains in an enterprise zone.

5 H. Co-owners of a business, including partners in a partnership, may
6 each claim only the pro rata share of the credit allowed under this section
7 based on the ownership interest. The total of the credits allowed all such
8 owners of the business may not exceed the amount that would have been allowed
9 for a sole owner of the business.

10 I. If a person purchases a business in a zone or changes ownership
11 through reorganization, stock purchase or merger, the new taxpayer may claim
12 first year credits only for one or more qualified employment positions that
13 it created and filled with an eligible employee after the purchase or
14 reorganization was complete. If a person purchases a taxpayer that had
15 qualified for first or second year credits or changes ownership through
16 reorganization, stock purchase or merger, the new taxpayer may claim the
17 second or third year credits if it meets other eligibility requirements of
18 this section. Credits for which a taxpayer qualified before the changes
19 described in this subsection are terminated and lost at the time the changes
20 are implemented.

21 J. A failure to timely report and certify to the department of
22 commerce and the department of revenue the information prescribed by section
23 41-1525, subsection B, paragraphs 1, 2 and 3 and in the manner prescribed by
24 section 41-1525, subsection C, ~~disqualifies~~ disqualifies the taxpayer from the credit
25 under this section. The department of revenue shall require written evidence
26 of the timely report to the department of commerce.

27 K. The termination of an enterprise zone does not affect the credit
28 under this section with respect to:

29 1. Taxpayers that have employees in the second and third years of
30 employment in qualified employment positions under subsections A, B and C of
31 this section if the business remains in the location that was in the
32 enterprise zone.

33 2. Amounts carried forward into subsequent taxable years under
34 subsection G of this section.

35 L. The department may adopt rules necessary for the administration of
36 this section.

37 M. For the purposes of this section:

38 1. "Assigned to retail" means working more than twenty-five per cent
39 of an employee's time in one or more retail sales activities.

40 2. "Retail sales" means the sale of tangible personal property to an
41 ultimate consumer.

42 3. "Retail sales activities" means all activities persons operating a
43 retail business normally engage in, including taking orders, filling orders,
44 billing orders, receiving and processing payment and shipping, stocking and
45 delivering tangible personal property to the ultimate consumer, except drop

1 shipments by a company acting on behalf of an unrelated company that has made
2 a sale to a final consumer.

3 4. "Zone location" means a single parcel or contiguous parcels of
4 owned or leased land, the structures and personal property contained on the
5 land or any part of the structures occupied by a taxpayer.

6 Sec. 17. Title 43, chapter 11, article 6, Arizona Revised Statutes, is
7 amended by adding section 43-1164.01, to read:

8 43-1164.01. Credit for solar energy industry

9 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2009, A
10 CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR QUALIFIED
11 INVESTMENT AND EMPLOYMENT IN EXPANDING OR LOCATING QUALIFIED SOLAR ENERGY
12 TECHNOLOGIES OPERATIONS IN THIS STATE. TO QUALIFY FOR THE CREDIT, THE
13 TAXPAYER MUST INVEST IN SOLAR ENERGY TECHNOLOGIES MANUFACTURING, OR IN NEW
14 REGIONAL, NATIONAL OR GLOBAL SOLAR ENERGY TECHNOLOGIES BUSINESS HEADQUARTERS,
15 IN THIS STATE AND PRODUCE NEW FULL-TIME EMPLOYMENT POSITIONS WHERE THE JOB
16 DUTIES ARE PERFORMED AT THE LOCATION OF THE QUALIFYING INVESTMENT AS PROVIDED
17 BY SECTION 41-1510.02.

18 B. THE AMOUNT OF THE CREDIT IS COMPUTED AS FOLLOWS:

19 1. TEN PER CENT OF THE TAXPAYER'S TOTAL CAPITAL INVESTMENT IN PROJECTS
20 MEETING THE FOLLOWING MINIMUM EMPLOYMENT REQUIREMENTS:

21 (a) FOR QUALIFYING SOLAR ENERGY TECHNOLOGIES MANUFACTURING OPERATIONS,
22 AT LEAST ONE AND ONE-HALF NEW FULL-TIME EMPLOYMENT POSITIONS FOR EACH FIVE
23 HUNDRED THOUSAND DOLLAR INCREMENT OF CAPITAL INVESTMENT.

24 (b) FOR QUALIFYING SOLAR ENERGY TECHNOLOGIES BUSINESS HEADQUARTERS, AT
25 LEAST ONE NEW FULL-TIME EMPLOYMENT POSITION FOR EACH TWO HUNDRED THOUSAND
26 DOLLAR INCREMENT OF CAPITAL INVESTMENT.

27 2. FOR A QUALIFYING SOLAR ENERGY TECHNOLOGIES PROJECT THAT DOES NOT
28 MEET THE EMPLOYMENT REQUIREMENTS PRESCRIBED BY PARAGRAPH 1, TEN PER CENT OF
29 THE AMOUNT COMPUTED AS FOLLOWS:

30 (a) FIVE HUNDRED THOUSAND DOLLARS PER ONE AND ONE-HALF NEW FULL-TIME
31 EMPLOYMENT POSITIONS IN NEW SOLAR ENERGY TECHNOLOGIES MANUFACTURING
32 OPERATIONS.

33 (b) TWO HUNDRED THOUSAND DOLLARS FOR EACH NEW FULL-TIME EMPLOYMENT
34 POSITION AT A NEW SOLAR ENERGY TECHNOLOGIES BUSINESS HEADQUARTERS.

35 (c) THE AMOUNT OF CREDIT UNDER THIS PARAGRAPH SHALL NOT EXCEED TEN PER
36 CENT OF THE AMOUNT OF THE TAXPAYER'S TOTAL CAPITAL INVESTMENT.

37 3. THE CREDIT AMOUNT COMPUTED UNDER PARAGRAPH 1 OR 2 OF THIS
38 SUBSECTION IS APPORTIONED, AND THE TAXPAYER SHALL CLAIM THE CREDIT IN FIVE
39 EQUAL ANNUAL INSTALLMENTS IN EACH OF FIVE CONSECUTIVE TAXABLE YEARS.

40 C. TO CLAIM THE CREDIT THE TAXPAYER MUST:

41 1. CONDUCT A BUSINESS THAT QUALIFIES UNDER SECTION 41-1510.02.

42 2. SUBMIT A COPY OF A CURRENT AND VALID CERTIFICATION OF QUALIFICATION
43 ISSUED TO THE TAXPAYER BY THE DEPARTMENT OF COMMERCE.

44 D. TO BE COUNTED FOR THE PURPOSES OF THE CREDIT, AN EMPLOYEE MUST HAVE
45 BEEN EMPLOYED AT THE QUALIFYING BUSINESS LOCATION FOR AT LEAST NINETY DAYS

1 DURING THE TAXABLE YEAR IN A PERMANENT FULL-TIME EMPLOYMENT POSITION OF AT
2 LEAST ONE THOUSAND SEVEN HUNDRED FIFTY HOURS PER YEAR. AN EMPLOYEE WHO IS
3 HIRED DURING THE LAST NINETY DAYS OF THE TAXABLE YEAR SHALL BE CONSIDERED A
4 NEW EMPLOYEE DURING THE NEXT TAXABLE YEAR. TO BE COUNTED FOR THE PURPOSES OF
5 THE CREDIT DURING THE FIRST TAXABLE YEAR OF EMPLOYMENT, THE EMPLOYEE MUST NOT
6 HAVE BEEN PREVIOUSLY EMPLOYED BY THE TAXPAYER WITHIN TWELVE MONTHS BEFORE THE
7 CURRENT DATE OF HIRE. THE TERMS OF EMPLOYMENT MUST COMPLY IN ALL CASES WITH
8 THE REQUIREMENTS OF SECTION 41-1510.02 AND CERTIFICATION BY THE DEPARTMENT OF
9 COMMERCE.

10 E. CO-OWNERS OF A BUSINESS, INCLUDING PARTNERS IN A PARTNERSHIP, MAY
11 EACH CLAIM ONLY THE PRO RATA SHARE OF THE CREDIT ALLOWED UNDER THIS SECTION
12 BASED ON THE OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS ALLOWED ALL SUCH
13 OWNERS OF THE BUSINESS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN ALLOWED
14 FOR A SOLE OWNER OF THE BUSINESS.

15 F. IF THE ALLOWABLE TAX CREDIT FOR A TAXABLE YEAR EXCEEDS THE INCOME
16 TAXES OTHERWISE DUE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO STATE INCOME
17 TAXES DUE ON THE CLAIMANT'S INCOME, THE AMOUNT OF THE CLAIM NOT USED AS AN
18 OFFSET AGAINST INCOME TAXES MAY BE CARRIED FORWARD AS A TAX CREDIT AGAINST
19 SUBSEQUENT YEARS' INCOME TAX LIABILITY FOR A PERIOD NOT TO EXCEED FIVE
20 TAXABLE YEARS, AND SUBJECT TO CONTINUING CERTIFICATION UNDER SECTION
21 41-1510.02.

22 G. ALL OR PART OF ANY UNCLAIMED AMOUNT OF CREDIT UNDER THIS SECTION
23 MAY BE SOLD OR OTHERWISE TRANSFERRED, UNDER TERMS MUTUALLY AGREEABLE BETWEEN
24 THE TRANSFEROR AND TRANSFEREE, BUT SUBJECT TO THE FOLLOWING CONDITIONS:

25 1. A SINGLE SALE OR TRANSFER MAY INVOLVE ONE OR MORE TRANSFEREES, AND
26 ANY TRANSFEREE MAY IN TURN RESELL OR TRANSFER THE CREDIT SUBJECT TO THE SAME
27 CONDITIONS OF THIS SUBSECTION.

28 2. BOTH THE TRANSFEROR AND TRANSFEREE MUST SUBMIT A WRITTEN NOTICE OF
29 THE TRANSFER TO THE DEPARTMENT OF REVENUE WITHIN THIRTY DAYS AFTER THE SALE
30 OR TRANSFER. THE TRANSFEREE'S NOTICE SHALL INCLUDE A PROCESSING FEE EQUAL TO
31 ONE PER CENT OF THE TRANSFEREE'S TAX CREDIT BALANCE OR TWO HUNDRED DOLLARS,
32 WHICHEVER IS LESS. THE NOTICE SHALL INCLUDE:

33 (a) THE NAMES OF THE TRANSFEROR AND TRANSFEREE.

34 (b) THE DATE OF THE TRANSFER.

35 (c) THE AMOUNT OF THE TRANSFER.

36 (d) THE TRANSFEROR'S TAX CREDIT BALANCE BEFORE THE TRANSFER AND THE
37 REMAINING BALANCE AFTER THE TRANSFER.

38 (e) ALL TAX IDENTIFICATION NUMBERS FOR BOTH TRANSFEROR AND TRANSFEREE.

39 (f) ANY OTHER INFORMATION REQUIRED BY RULE.

40 3. A SALE OR TRANSFER OF THE CREDIT DOES NOT EXTEND THE TIME IN WHICH
41 THE CREDIT CAN BE USED. THE TRANSFEREE MUST TAKE THE CREDIT IN FIVE EQUAL
42 ANNUAL INSTALLMENTS IN EACH OF FIVE CONSECUTIVE TAXABLE YEARS AS DESCRIBED IN
43 SUBSECTION B, PARAGRAPH 3 OF THIS SECTION.

44 4. THE TRANSFEROR, AT ITS EXPENSE, MUST ENTER INTO A LIMITED MANAGED
45 AUDIT AGREEMENT PURSUANT TO TITLE 42, CHAPTER 2, ARTICLE 7 THAT INCLUDES AN

1 AUDIT OF THE REQUIREMENTS PRESCRIBED BY SECTION 41-1510.02 AND BY THIS
2 SECTION TO CONFIRM THE AMOUNT OF ANY CREDIT UNDER THIS SECTION. THE REQUEST
3 TO ENTER INTO THE AUDIT MUST BE MADE AFTER THE TAXPAYER IS CERTIFIED PURSUANT
4 TO SECTION 41-1510.02, SUBSECTION F. THE AUDIT MUST BE CONDUCTED BY THE
5 TAXPAYER'S AUTHORIZED REPRESENTATIVE, AS DEFINED BY SECTION 42-2301, WHO IS
6 AN INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT LICENSED IN THIS STATE. THE
7 CERTIFIED PUBLIC ACCOUNTANT AND THE FIRM THE CERTIFIED PUBLIC ACCOUNTANT IS
8 AFFILIATED WITH SHALL NOT REGULARLY PERFORM SERVICES FOR THE TAXPAYER OR ANY
9 AFFILIATE OF THE TAXPAYER. IF THE DEPARTMENT OF REVENUE ACCEPTS THE FINDINGS
10 OF THE AUDIT AND ISSUES A NOTICE OF DETERMINATION PURSUANT TO SECTION 42-2303
11 AND THE TAXPAYER TIMELY FILES ITS INCOME TAX RETURNS WITH THE APPROPRIATE
12 CREDIT CLAIM FORMS, THE CREDIT AMOUNT MAY BE TRANSFERRED. THE DEPARTMENT
13 SHALL ISSUE A NOTICE OF DETERMINATION INCLUDING A WRITTEN CERTIFICATE TO THE
14 TAXPAYER STATING THE AMOUNT OF THE CREDIT AND THAT THE CREDIT MAY BE
15 TRANSFERRED. THIS PARAGRAPH DOES NOT PREVENT RECAPTURE OF A CREDIT AMOUNT IF
16 THE TAXPAYER FAILED TO DISCLOSE MATERIAL INFORMATION DURING THE AUDIT OR
17 FALSIFIED ITS BOOKS OR RECORDS OR OTHERWISE ENGAGED IN AN ACTION THAT
18 PREVENTED AN ACCURATE AUDIT.

19 H. EXCEPT AS PROVIDED BY SUBSECTION I OF THIS SECTION, IF, WITHIN TEN
20 TAXABLE YEARS AFTER FIRST RECEIVING A CREDIT PURSUANT TO THIS SECTION, THE
21 CERTIFICATION OF QUALIFICATION OF A BUSINESS IS TERMINATED OR REVOKED UNDER
22 SECTION 41-1510.02, OTHER THAN FOR REASONS BEYOND THE CONTROL OF THE BUSINESS
23 AS DETERMINED BY THE DEPARTMENT OF COMMERCE, THE TAXPAYER IS PERMANENTLY
24 DISQUALIFIED FROM CREDITS UNDER THIS SECTION IN SUBSEQUENT TAXABLE YEARS AND
25 THE CREDITS ALLOWED THE TAXPAYER IN ALL TAXABLE YEARS PURSUANT TO THIS
26 SECTION ARE SUBJECT TO RECAPTURE PURSUANT TO THIS SUBSECTION. IF THE CREDIT
27 HAS BEEN TRANSFERRED PURSUANT TO SUBSECTION G OF THIS SECTION, ANY RECAPTURE
28 PURSUANT TO THIS SUBSECTION IS FROM THE ORIGINAL TAXPAYER. THIS SUBSECTION
29 APPLIES ONLY IN THE CASE OF THE TERMINATION OR REVOCATION OF A CERTIFICATION
30 OF QUALIFICATION UNDER SECTION 41-1510.02. THIS SUBSECTION DOES NOT APPLY
31 IF, IN ANY TAXABLE YEAR, A TAXPAYER OTHERWISE DOES NOT QUALIFY FOR OR FAILS
32 TO CLAIM THE CREDIT UNDER THIS SECTION. THE RECAPTURE OF CREDITS IS COMPUTED
33 BY INCREASING THE AMOUNT OF TAXES IMPOSED IN THE YEAR FOLLOWING THE YEAR OF
34 TERMINATION OR REVOCATION BY THE FULL AMOUNT OF ALL CREDITS PREVIOUSLY
35 ALLOWED UNDER THIS SECTION WITH ANNUAL SIMPLE INTEREST EQUAL TO THE PRIME
36 RATE CHARGED BY BANKS ON SHORT-TERM BUSINESS LOANS AS DETERMINED FOR
37 PUBLICATION IN THE BULLETIN OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE
38 SYSTEM AS OF THE FIRST DAY OF EACH TAXABLE YEAR, PLUS TWO PER CENT.

39 I. A TAXPAYER WHO CLAIMS A CREDIT UNDER SECTION 43-1161, 43-1165 OR
40 43-1167 MAY NOT CLAIM A CREDIT UNDER THIS SECTION WITH RESPECT TO THE SAME
41 FULL-TIME EMPLOYMENT POSITIONS.

42 J. FOR THE PURPOSES OF THIS SECTION SOLAR ENERGY TECHNOLOGIES ARE
43 LIMITED TO SYSTEMS AND COMPONENTS THAT ARE USED OR USEFUL FOR THE
44 MANUFACTURING OF SOLAR ENERGY DEVICES, AS DEFINED IN SECTION 44-1761, OR FOR
45 THE GENERATION, STORAGE, TRANSMISSION OR DISTRIBUTION OF ELECTRICITY FROM

1 SOLAR RENEWABLE RESOURCES, INCLUDING PHOTOVOLTAIC AND CONCENTRATED SOLAR
2 POWER AND SOLAR THERMAL PROCESS USED OR USEFUL IN GENERATING ELECTRICITY.

3 Sec. 18. Section 43-1165, Arizona Revised Statutes, is amended to
4 read:

5 43-1165. Credit for employment by qualified defense contractor

6 A. A credit is allowed against the taxes imposed by this title for:

7 1. Net increases in employment under United States department of
8 defense contracts during the taxable year, as computed under subsection D of
9 this section, by a qualified defense contractor that is certified by the
10 department of commerce under section 41-1508.

11 2. Net increases in private commercial employment during the taxable
12 year, as computed under subsection E of this section, by a qualified defense
13 contractor that is certified by the department of commerce under section
14 41-1508 due to full-time equivalent employee positions transferred during the
15 taxable year by the taxpayer from exclusively defense related activities to
16 employment by the taxpayer in exclusively private commercial activities.

17 B. The amount of the credit is a dollar amount allowed for each
18 full-time equivalent employee position created, determined as follows:

19 1st year	\$2,500
20 2nd year	\$2,000
21 3rd year	\$1,500
22 4th year	\$1,000
23 5th year	\$ 500

24 C. If the allowable tax credit exceeds the taxes otherwise due under
25 this title on the claimant's income, or if there are no taxes due under this
26 title, the taxpayer may carry the amount of the claim not used to offset the
27 taxes under this title forward until taxable years beginning from and after
28 December 31, 2011 as a credit against subsequent years' income tax liability,
29 regardless of continuing certification as a qualified defense contractor.

30 D. The net increase in employment under defense related contracts
31 shall be determined as follows:

32 1. Establish an employment baseline for the taxpayer based on a
33 multiyear forecast of employment on United States department of defense
34 contracts that was submitted to the department of defense before June 1,
35 1992. The annual average employment forecast for the first year the taxpayer
36 qualified is the baseline. If the taxpayer did not make such a forecast
37 before June 1, 1992, the baseline is the average annual employment as
38 reported to the department of economic security during the preceding taxable
39 year. If a taxpayer qualifies in the same year it relocates into this state,
40 the taxpayer's baseline is zero.

41 2. For the first year of the credit, the taxpayer's net increase in
42 average employment is the increase in employment reported to the department
43 of economic security for the taxable year over the employment baseline.

44 3. For each succeeding year of the credit, the taxpayer's net increase
45 in average employment is the increase in employment reported to the

1 department of economic security for the taxable year over the preceding
2 taxable year's average employment.

3 E. In computing the amount of credit allowed under subsection A,
4 paragraph 2 of this section, the taxpayer shall:

5 1. Prorate employment during the taxable year according to the date of
6 transfer from defense to private commercial activities or the date of
7 transfer from private commercial activities to defense.

8 2. Compute and subtract an amount pursuant to subsection B of this
9 section for full-time equivalent employee positions that were transferred
10 during the taxable year by the taxpayer from exclusively private commercial
11 activities to exclusively defense related activities.

12 F. The taxpayer shall account for qualifying full-time equivalent
13 employee positions on a first-in first-out basis. If a decrease in
14 qualifying employment occurs, the taxpayer shall subtract the decrease from
15 the earliest qualifying positions.

16 G. A credit is not allowed under both subsection A, paragraphs 1 and 2
17 of this section with respect to the same employee position. A full-time
18 equivalent employee position may be considered for purposes of computing the
19 credit under either subsection A, paragraph 1 or 2 of this section, but not
20 both.

21 H. A credit is not allowed under this section with respect to
22 employment that was transferred from an outside contractor in this state to
23 in-house employment by the taxpayer solely for purposes of qualifying for the
24 credit.

25 I. A taxpayer that claims a credit under section 43-1161, [43-1164.01](#)
26 or 43-1167 may not claim a credit under this section with respect to the same
27 ~~employees~~ EMPLOYEE POSITIONS.

28 J. Co-owners of a business, including corporate partners in a
29 partnership, may each claim only the pro rata share of the credit allowed
30 under this section based on the ownership interest. The total of the credits
31 allowed all such owners may not exceed the amount that would have been
32 allowed for a sole owner of the business.

33 Sec. 19. Section 43-1167, Arizona Revised Statutes, is amended to
34 read:

35 [43-1167. Credit for increased employment in military reuse](#)
36 [zones; definition](#)

37 A. A credit is allowed against the taxes imposed by this title for net
38 increases in employment by the taxpayer of full-time employees working in a
39 military reuse zone, established under title 41, chapter 10, article 3, and
40 who are primarily engaged in providing aviation or aerospace services or in
41 manufacturing, assembling or fabricating aviation or aerospace products. The
42 amount of the credit is a dollar amount allowed for each new employee,
43 determined as follows:

44 1. With respect to each employee other than a dislocated military base
45 employee:

1	1st year of employment	\$ 500
2	2nd year of employment	\$1,000
3	3rd year of employment	\$1,500
4	4th year of employment	\$2,000
5	5th year of employment	\$2,500
6	2. With respect to each dislocated military base employee:	
7	1st year of employment	\$1,000
8	2nd year of employment	\$1,500
9	3rd year of employment	\$2,000
10	4th year of employment	\$2,500
11	5th year of employment	\$3,000

12 B. If the allowable tax credit exceeds the taxes otherwise due under
13 this title on the claimant's income, or if there are no taxes due under this
14 title, the amount of the claim not used to offset the taxes under this title
15 may be carried forward as a credit against subsequent years' income tax
16 liability for the period, not to exceed five taxable years, if the business
17 remains in the military reuse zone.

18 C. The net increase in the number of employees for purposes of this
19 section shall be determined by comparing the taxpayer's average employment in
20 the military reuse zone during the taxable year with the taxpayer's previous
21 year's fourth quarter employment in the zone, based on the taxpayer's report
22 to the department of economic security for unemployment insurance purposes
23 but considering only employment in the zone.

24 D. Co-owners of a business, including corporate partners in a
25 partnership, may each claim only the pro rata share of the credit allowed
26 under this section based on the ownership interest. The total of the credits
27 allowed all such owners may not exceed the amount that would have been
28 allowed for a sole owner of the business.

29 E. A credit is not allowed under this section with respect to an
30 employee whose place of employment is relocated by the taxpayer from a
31 location in this state to the military reuse zone unless the employee is
32 engaged in aviation or aerospace services or in manufacturing, assembling or
33 fabricating aviation or aerospace products and the taxpayer maintains at
34 least the same number of employees in this state but outside the zone.

35 F. A taxpayer who claims a credit under section 43-1161, [43-1164.01](#) or
36 43-1165 may not claim a credit under this section with respect to the same
37 employees.

38 G. For the purposes of this section, "dislocated military base
39 employee" means a civilian who previously had permanent full-time civilian
40 employment on the military facility as of the date the closure of the
41 facility was finally determined under federal law, as certified by the
42 department of commerce.

1 Sec. 20. Section 43-1168, Arizona Revised Statutes, is amended to
2 read:

3 43-1168. Credit for increased research activities

4 A. A credit is allowed against the taxes imposed by this title in an
5 amount determined pursuant to section 41 of the internal revenue code, except
6 that:

7 1. The amount of the credit is computed as follows:

8 (a) Add:

9 (i) The excess, if any, of the qualified research expenses for the
10 taxable year over the base amount as defined in section 41(c) of the internal
11 revenue code.

12 (ii) The basic research payments determined under section 41(e)(1)(A)
13 of the internal revenue code.

14 (b) If the sum computed under subdivision (a) is two million five
15 hundred thousand dollars or less, the credit is equal to ~~twenty~~ TWENTY-FOUR
16 per cent of that amount.

17 (c) If the sum computed under subdivision (a) is over two million five
18 hundred thousand dollars, the credit is equal to ~~five~~ SIX hundred thousand
19 dollars plus ~~elev~~ FIFTEEN per cent of any amount exceeding two million five
20 hundred thousand dollars, except that:

21 (i) For taxable years beginning from and after December 31, 2000
22 through December 31, 2001, the credit shall not exceed one million five
23 hundred thousand dollars.

24 (ii) For taxable years beginning from and after December 31, 2001
25 through December 31, 2002, the credit shall not exceed two million five
26 hundred thousand dollars.

27 2. Qualified research includes only research conducted in this state
28 including research conducted at a university in this state and paid for by
29 the taxpayer.

30 3. If two or more taxpayers, including corporate partners in a
31 partnership, share in the eligible expenses, each taxpayer is eligible to
32 receive a proportionate share of the credit.

33 4. The credit under this section applies only to expenses incurred
34 from and after December 31, 1993.

35 5. The termination provisions of section 41 of the internal revenue
36 code do not apply.

37 B. If the allowable credit under this section exceeds the taxes
38 otherwise due under this title on the claimant's income, or if there are no
39 taxes due under this title, the amount of the credit not used to offset taxes
40 may be carried forward to the next fifteen consecutive taxable years. The
41 amount of credit carryforward from taxable years beginning from and after
42 December 31, 2000 through December 31, 2002 that may be used under this
43 subsection in any taxable year may not exceed the taxpayer's tax liability
44 under this title or five hundred thousand dollars, whichever is less, minus
45 the credit under this section for the current taxable year's qualified

1 research expenses. The amount of credit carryforward from taxable years
2 beginning from and after December 31, 2002 that may be used under this
3 subsection in any taxable year may not exceed the taxpayer's tax liability
4 under this title minus the credit under this section for the current taxable
5 year's qualified research expenses.

6 C. If a taxpayer has qualified research expenses that are carried
7 forward from taxable years beginning before January 1, 2001, the amount of
8 the expenses carried forward shall be converted to a credit carryforward by
9 multiplying the amount of the qualified expenses carried forward by twenty
10 per cent. A credit carryforward determined under this subsection may be
11 carried forward to not more than fifteen years from the year in which the
12 expenses were incurred. The amount of credit carryforward from taxable years
13 beginning before January 1, 2001 that may be used under this subsection in
14 any taxable year may not exceed the taxpayer's tax liability under this title
15 or five hundred thousand dollars, whichever is less, minus the credit under
16 this section for the current taxable year's qualified research expenses. The
17 total amount of credit carryforward from taxable years beginning before
18 January 1, 2003 that may be used in any taxable year under ~~the provisions of~~
19 subsection B and this subsection may not exceed the taxpayer's tax liability
20 under this title or five hundred thousand dollars, whichever is less, minus
21 the credit under this section for the current taxable year's qualified
22 research expenses.

23 Sec. 21. Credit for increased research activities; 2009 tax
24 credit amounts

25 A. Notwithstanding section 43-1074.01, subsection A, paragraph 1,
26 Arizona Revised Statutes, as amended by this act, for taxable years beginning
27 from and after December 31, 2009 through December 31, 2010, the amount of the
28 credit is based on the excess, if any, of the qualified research expenses for
29 the taxable year over the base amount as defined in section 41(c) of the
30 internal revenue code and is computed as follows:

31 1. If the excess is two million five hundred thousand dollars or less,
32 the credit is equal to twenty-two per cent of that amount.

33 2. If the excess is over two million five hundred thousand dollars,
34 the credit is equal to five hundred fifty thousand dollars plus thirteen per
35 cent of any amount exceeding two million five hundred thousand dollars.

36 B. Notwithstanding section 43-1168, subsection A, paragraph 1, Arizona
37 Revised Statutes, as amended by this act, for taxable years beginning from
38 and after December 31, 2009 through December 31, 2010, the amount of the
39 credit is computed as follows:

40 1. Add:

41 (a) The excess, if any, of the qualified research expenses for the
42 taxable year over the base amount as defined in section 41(c) of the internal
43 revenue code.

44 (b) The basic research payments determined under section 41(e)(1)(A)
45 of the internal revenue code.

1 2. If the sum computed under paragraph 1 of this subsection is two
2 million five hundred thousand dollars or less, the credit is equal to
3 twenty-two per cent of that amount.

4 3. If the sum computed under paragraph 1 of this subsection is over
5 two million five hundred thousand dollars, the credit is equal to five
6 hundred fifty thousand dollars plus thirteen per cent of any amount exceeding
7 two million five hundred thousand dollars.

8 Sec. 22. Repeal

9 Laws 2006, chapter 351, section 14 is repealed.

10 Sec. 23. Retroactivity

11 Section 8 of this act relating to urban revenue sharing is
12 retroactively effective from and after June 30, 2008.

13 Sec. 24. Lottery deposits

14 A. Notwithstanding section 5-505, subsection B, Arizona Revised
15 Statutes, for fiscal year 2008-2009, at least 31.6 per cent of the total
16 annual revenues accruing from the sale of multistate lottery tickets shall be
17 deposited in the state lottery fund established by section 5-521, Arizona
18 Revised Statutes, to be used as prescribed in section 5-522, Arizona Revised
19 Statutes, including deposits to the state general fund pursuant to section
20 5-522, subsection F, Arizona Revised Statutes.

21 B. Notwithstanding section 5-522, subsection F, Arizona Revised
22 Statutes, if the state lottery director determines that monies available to
23 the state general fund from the sale of multistate lottery games may not
24 equal forty-three million dollars in fiscal year 2008-2009, the director
25 shall not authorize deposits to the local transportation assistance fund
26 pursuant to section 5-522, subsection A, paragraph 3, Arizona Revised
27 Statutes, until the deposits to the state general fund from the sale of
28 multistate lottery games equal forty-three million dollars in fiscal year
29 2008-2009. The local transportation assistance fund deposit pursuant to
30 section 5-522, subsection A, paragraph 3, Arizona Revised Statutes, shall be
31 reduced dollar for dollar by the amount that the state general fund deposit
32 pursuant to this subsection exceeds thirty-one million dollars.

33 Sec. 25. Department of public safety; highway funds; limitation

34 Notwithstanding sections 28-6537 and 28-6993, Arizona Revised Statutes,
35 the statutory caps limiting the level of highway user revenue fund monies and
36 state highway fund monies available to fund department of public safety
37 highway patrol costs are suspended for fiscal year 2008-2009.

38 Sec. 26. State and county tax amnesty; monthly report;
39 definitions

40 A. Notwithstanding title 42, chapter 1, article 3, Arizona Revised
41 Statutes, the director of the department of revenue shall establish a tax
42 amnesty process as provided by this section.

43 B. If a taxpayer complies with the requirements of this section by
44 applying to the department for amnesty during the amnesty period and
45 complying with the applicable tax requirements in the time and manner

1 prescribed by this section, the director shall abate or waive all or part of
2 the civil penalties and impose interest at a reduced rate for tax liabilities
3 that have been or could be assessed or imposed for any taxable period during
4 the applicable liability period without the need for the taxpayer to show
5 reasonable cause or the absence of wilful neglect. For the purposes of this
6 subsection, "liability period" means:

7 1. For taxpayers filing annually, any taxable period beginning from
8 and after December 31, 2001 and ending before January 1, 2007.

9 2. For taxpayers having a 52-53 week tax year, any taxable period
10 beginning from and after December 25, 2002 and ending before January 15,
11 2007.

12 3. For all other taxpayers, any taxable period beginning from and
13 after December 31, 2001 and ending before January 1, 2008.

14 C. The director may grant amnesty only for the taxable periods and tax
15 liabilities identified in the application and only if the taxpayer satisfies
16 all of the amnesty conditions and requirements prescribed by this section.

17 D. To qualify for amnesty, the taxpayer must:

18 1. Submit a complete and correct application as provided by subsection
19 F of this section during the amnesty period.

20 2. Pay the tax, plus any interest due pursuant to this section, either
21 with the application or in installments as follows:

22 (a) At least one-third of the total amount due must be paid on or
23 before December 31, 2008.

24 (b) The balance due must be paid in full on or before June 1, 2009.

25 E. A taxpayer does not qualify for amnesty under this section if:

26 1. An audit determination has become final with respect to the taxable
27 period for which amnesty is sought.

28 2. The taxpayer is a party to any criminal investigation or to any
29 criminal administrative proceeding or criminal litigation that is pending on
30 November 1, 2008 in any court of the United States or of this state for
31 failure to file or failure to pay, or for fraud with respect to, any tax
32 imposed by any law of this state and required to be collected by the
33 department.

34 3. The taxpayer has been the subject of a past tax-related criminal
35 investigation, indictment or prosecution if the investigation, indictment or
36 prosecution resulted in a conviction, a guilty plea or a plea of no contest.

37 4. The taxpayer has been convicted of a crime relating to any period
38 or assessment of a tax that is the basis of the penalty or interest with
39 respect to which amnesty is sought.

40 5. The taxpayer is a party to a closing agreement with the department
41 for the tax periods included in the amnesty application.

42 F. An application for amnesty:

43 1. Must be on an application form furnished by the department that
44 requires the applicant to identify the tax, the qualifying taxable period and
45 the tax liability for which amnesty is sought and to furnish other

1 information prescribed by the director. The taxpayer shall include any
2 returns and reports, including amended returns and reports, for the tax and
3 taxable periods. Any return or report filed under this section is subject to
4 verification as provided by law. A taxpayer who has insufficient information
5 to file a full income tax return may file a gross income return and compute
6 the tax pursuant to established rate brackets based on average tax rates for
7 the applicable taxable years.

8 2. Must be filed with the department as prescribed by the director
9 during the amnesty period.

10 G. An application for amnesty constitutes an express and absolute
11 waiver of all administrative and judicial rights of appeal that have not run
12 or otherwise expired as of the date of application. The state board of tax
13 appeals and any court shall dismiss each such action or proceeding before
14 that body on receiving a notification from the director that amnesty has been
15 granted for the taxable period. If the audit determination is not final, the
16 taxpayer must withdraw from the proceeding or litigation before amnesty is
17 granted.

18 H. On reviewing the application and determining compliance with the
19 requirements of the amnesty program under this section:

20 1. The director shall notify the taxpayer regarding the application
21 for amnesty, waiving or abating the civil penalties and imposing a reduced
22 interest rate for tax liabilities that were or could have been assessed for
23 the taxable periods covered by the application.

24 2. No administrative, civil or criminal action may be brought for
25 failure to comply with the tax requirements for the taxable periods covered
26 by the application.

27 I. A grant of amnesty under this section does not entitle any affected
28 taxpayer or other person to a refund or credit of any amount previously paid.

29 J. The director shall deny or revoke the amnesty of a person who files
30 a false or fraudulent application, return or report for purposes of this
31 section, or otherwise attempts to defeat or evade a tax through the amnesty
32 program. If a person who applies for amnesty fails to pay all amounts due as
33 provided by this section, any amnesty granted pursuant to this section is
34 void.

35 K. The director may:

36 1. Do all things necessary to provide for the timely implementation of
37 this section.

38 2. Adopt emergency rules pursuant to section 41-1026, Arizona Revised
39 Statutes, as necessary to administer this section.

40 L. The tax revenues collected pursuant to amnesty payments shall be
41 distributed by the department as provided by law on or after March 1, 2009
42 but before June 1, 2009.

43 M. Beginning November 15, 2008 through June 15, 2009, the department
44 shall submit a cumulative monthly report to the governor, the speaker of the

1 house of representatives and the president of the senate. The report shall
2 include:

- 3 1. The number of taxpayers that have applied for amnesty under this
4 section.
- 5 2. The number of taxpayers that have been granted amnesty.
- 6 3. The amount of revenue received from taxpayers for amnesty periods.
- 7 4. The amount of outstanding liability from taxpayers that have begun
8 paying.

9 N. For the purposes of this section:

- 10 1. "Amnesty period" means November 1, 2008 through December 31, 2008.
- 11 2. "Tax" means any tax administered or collected by the department of
12 revenue on behalf of this state or a county except estate tax and ad valorem
13 property taxes.
- 14 3. "Tax liability" includes any payment of estimated tax, withholding
15 tax, interest and penalties required by law.
- 16 4. "Tax requirement" means:
 - 17 (a) Timely filing a complete and correct tax return or report required
18 by law.
 - 19 (b) Timely paying a tax liability.

20 Sec. 27. Business reengineering/integrated tax system contract
21 extension; retroactivity

22 A. Notwithstanding any other law, before executing any extension or
23 modification of the current business reengineering/integrated tax system
24 contract with a fiscal impact that increases the contractor's share of
25 gain-sharing proceeds from state revenues during fiscal year 2008-2009, the
26 department of revenue shall submit the proposed changes to the joint
27 legislative budget committee for its review.

28 B. This section is effective retroactively to from and after June 30,
29 2008.

30 Sec. 28. Unrestricted federal monies; retroactivity

31 A. Any unrestricted federal monies received from May 1, 2008 through
32 June 30, 2009 shall be deposited in the state general fund. The monies shall
33 be used for the payment of essential governmental services.

34 B. This section is effective retroactively to from and after
35 April 30, 2008.

36 Sec. 29. Delayed repeal

37 Section 26 of this act, relating to tax amnesty, is repealed from and
38 after June 30, 2009.

39 Sec. 30. Purpose

40 Pursuant to section 43-223, Arizona Revised Statutes, the income tax
41 credits enacted in sections 43-1083.01 and 43-1164.01, Arizona Revised
42 Statutes, as added by this act, are intended to encourage business investment
43 that will produce high quality employment opportunities for citizens of this
44 state and enhance the position of this state as a center for research,
45 development, production and use of solar energy products.

1 Sec. 31. Effective date
2 Sections 2, 4, 5, 6, 7, 9, 10, 11, 13, 14, 15, 16, 17, 18, and 19 of
3 this act are effective from and after December 31, 2009.

4 Sec. 32. Effective date
5 Sections 43-1074.01 and 43-1168, Arizona Revised Statutes, as amended
6 by this act, are effective from and after December 31, 2009.